

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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DECEMBER, 1940

ASSIGNMENT FEATURE OF DEFENSE CONTRACTS . . . AGRICULTURAL CREDIT

WAGE-HOUR SUGGESTIONS . . . INVESTMENTS . . . PEOPLE YOU KNOW

TRUST FEES . . . CONSUMER CREDIT STUDY AND CENSUS . . . HOUSING FINANCE



... for National Defense

As the country becomes busied with the tools of preparedness, and defense props are hammered back into place, the value of Insurance stands out in sharp relief. For the very things that defense calls for — precaution, preparedness, protection — are the ingredients that have made Insurance so necessary in business and civic life.

In times of peace, the American people have always faced the continuing threat of attack from fire, explosion and other hazards that cause ruin of property, interruption of business and loss of untold values. In times of

stress, when people are least able to stand loss, threat of loss increases!

Insurance acts today, as always, to stave off loss by offering various forms of coverage. More than that, it serves to prevent, wherever possible, occurrence of mishap through engineering and inspection services.

In this way, men work with greater confidence and the wheels of production are stepped up with minimum delay and waste. Precautions taken through the specialized facilities of Insurance result in greater, speedier production for national uses.

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FIRE, AUTOMOBILE AND MARINE INSURANCE

JUST A MINUTE



December

"WINTER, WITH its inwardness, is upon us," says THOREAU in a December Journal entry. "A man is constrained to sit down to think."

He was writing, of course, with an eye on the New England weather which at this time of year can give gloomy encouragement to the sedentary pursuits, thinking included.

Seasonal

BUT REGARDLESS of whether one looks at December from Massachusetts or from Florida or California (advt?), this seems to be an unusually opportune time for thinking. The old year has about run its course, for better or worse, and we are full of plans and self-promises for the new. This is Personal Inventory Month; we check up to see where we're going.

And then Christmas is coming, with its anticipations, its assurance of expansive good cheer, its appeal to our better selves, its call to thoughtfulness on behalf of others.

A Full Budget

THERE IS, goodness knows, enough to think about this Winter. However much we are given to inwardness, we cannot escape the outwardness of these times.

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JUST A MINUTE—Continued

And that is why—getting down to earth—BANKING has geared itself to America's preparations for defending her right to think in her own way. The national defense program is just about the biggest piece of business Uncle Sam ever tackled, offering unusual opportunities for constructive banking service, and we propose to cover it to the best of our ability.

In this issue of the magazine you will find much practical material that deals, in one way or another, with the work banks are doing and will have to do. We won't go into detail here, but the items include bank-industry teamwork, assignment of claims in defense contracts, directors and defense, and investment plans for unpredictable 1941.

There is also the basic thought that parallel to the immediate task of financing defense runs the longer range duty of preventing unhealthy expansion by doing, now, some careful, intelligent community planning. What we are to be five or ten years hence may well depend on the decisions that will be made in the next few months.

Contest!

WHEN THE artist brought in the picture below we said:

"We'll bite. What's it about?"

He said:

"Well-ah, I-ah," just like that, and stopped.

We said:

"All right. Neither do we. But our readers will have an idea. We've tried 'em on titleless pictures before, and when there's a \$5 check at stake for the best answer they always come through."

The message we are thus clumsily trying to convey is that here is another contest.

Select a title for this picture—a quotation or a phrase of your own making. Send it to the Contest Editor, BANKING, 22 East 40th Street, New York, N. Y., before December 15, and then sit back and hope you've won the \$5 we're paying for the best title.

P.S. No titles can be returned. Decision of the judges—BANKING's editorial committee—is final.

Also, the judges reserve the right to return a "No contest" verdict in the event no entries seem to merit so munificent a reward.

Read What Reed and Wright Wrote

WE ARE particularly proud, ladies and gentlemen of the readership, to present between the same covers, two of the Three R's—MESSRS. REED and WRIGHT. The former is THOMAS H., the latter MILTON.

One follows the other, as is quite fitting and proper, on pages 18 and 19. You will notice when you come to read WRIGHT that he is on a left hand page (18), which is merely a coincidence of

(CONTINUED ON PAGE 5)

Name It!



December 1940

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Marketable inventory
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Loans are harder to find these days; but they DO EXIST. There IS loan business to be had by those who will go after it...and you'll find that one very productive place to look for it is in the financial statements of your customers. Watch for those listing large inventories. Marketable inventories constitute A-1 collateral when hypothecated to your bank through Lawrence System warehouse receipts. Frequently your customers will be keenly appreciative when you point out to them that you can advance additional working capital on this basis. We feel sure that you, too, will be very happy to find an outlet for some of your Bank's idle funds. Get details

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THIRTY-NINE YEARS
OF
HONORABLE DEALING

December 1940

JUST A MINUTE—Continued

makeup. Opposite him, on page 19, there is REED to be read.

Straighten it out for yourself.

As you know, if you've been with us during the past few months, both gentlemen always have something to say.

Not So Good, After All

WE THOUGHT we had something in the above pleasantries until we discovered that we had been scooped by ourselves.

It seems that as recently as October Mr. REED and Mr. WRIGHT appeared in the same issue.

We didn't take note of it then, possibly because they were not next door neighbors on the contents page.

If this be a story (we use the subjunctive) make the most of it.

Santa Clau\$

CHRISTMAS THRIFT, it is good to note, made a new high this year on the basis of Christmas Club distributions to more than 7,500,000 members in approximately 4,800 financial institutions.

The total, reports HERBERT F. RAWLL, founder and head of the Club movement, was \$365,000,000, a record. In addition to being at the rate of a million a day, this was a gain of 4½ per cent over last year. The Bank of America N. T. & S. A. led in distributions, according to Mr. RAWLL's figures, with \$16,000,000.

The National Association of Mutual Savings Banks reported that Christmas savings in those institutions for 1940 reached \$69,559,014, also a new high, distributed among 1,676,417 accounts. These figures are increases of \$8,174,000 in deposits and 237,685 in depositors.

Modernize Your Methods

MR. WOOLLEY's contribution this month points out how a bank can help itself keep the Wage and Hour Law by being sure that its methods are up to date.

This is essentially a supplement to his brief discussion of the same thought last month and to the special Bulletin issued by the A.B.A. Bank Management Commission, which offered methods for adapting bank operations to the 40-Hour Week regulations.

A Sleepy Hollow True Story

EVERYBODY HAS heard of Tarrytown, New York. Ichabod Crane, the legendary equestrian schoolmaster, courted his Katrina there. Near the village Major Andre was captured. In the village Washington Irving's "Sunny-

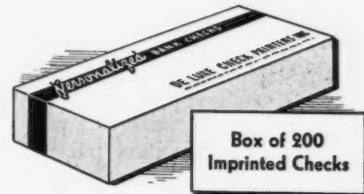


*Here's
an Idea
THAT REALLY CLICKED*

Last Christmas several of our banker friends presented their more discriminating customers with a box containing two hundred personalized checks. (See illustration below.) Needless to say they were well received.

The cost was not great — only \$1 per customer — because purchased under our Group Order Plan.

Why don't you carry out this same idea this year? Make a "big hit" with a picked group of *your* customers. All orders we receive up to December 15th will be in your hands for Christmas delivery.



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side" still stands above the Hudson.

In the village, too, among many other things, is a bank which, starting in a very small way, has made a profitable business out of the sale and servicing of Federal Housing Authority mortgages. The story, on page 30, is a reminder that often you can't tell, until you try it, whether a new fangled idea will work.

In Chicago

OUR FRIEND AMERICO GRASSO of the First National Bank, Chicago, sends us these two pictures. One shows the en-



trance to the ballroom where Chicago Chapter, A.I.B., gathered with its escorts, nearly 5,000 strong, for the annual dance.

The other photo was taken at a banquet given by the bank to its champion



softball team. Seated in the foreground are A. B. JOHNSTON, vice-president; center, B. G. MCLOUD, vice-president; C. E. JOHNSON, assistant vice-president. At the other end of the table, left to right, are F. G. GUTHRIDGE, vice-president; P. E. NORDSTROM, social activities director; and A. C. MISKELLY, assistant cashier.

From Another Friend

MISS MARIAN C. MANLEY, head of the Business Branch of the Newark (CONTINUED ON PAGE 9)

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NOT WHO *TAKES...*



WHO *LOSES?*

WHEN it comes to wandering from the "straight and narrow" what really counts is not so much who takes—but who LOSES! Every year a sizeable fortune is spent in preventive measures designed to cut down crime. In spite of that, crime goes on: the thief still breaks through, the trusted employee still falls prey to temptation.

For employer-victims the important questions are: Do you know that protection against crime losses is available? If you have it, are you reasonably sure that it fits your particular needs . . . adequately and soundly?



Agents of American Surety and New York Casualty Companies answer these questions daily in every American business community. They suggest and supply the forms of coverage that assure the employer of indemnity against loss when others "take"! No employer should lack this protection.

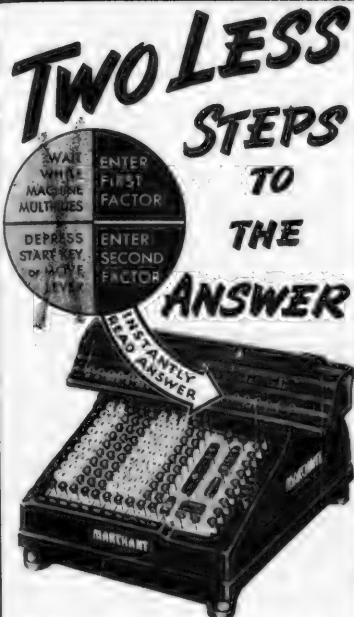
Our agents from coast to coast are backed by companies that are experienced and financially strong. They are your business neighbors and as such are familiar with local conditions. At the same time they bring nation-wide service speedily to your door.

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JUST A MINUTE—Continued

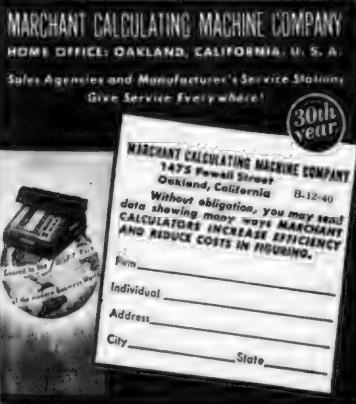


YOU may be justly proud of the efficiency of your office personnel. But actually you may be handicapping them by forcing them to work with calculators that LOAF on the job... calculating machines that require too many steps and too much time to get an answer.

MARCHANT CALCULATORS SAVE STEPS

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(N. J.) Public Library, congratulates us on two articles in the September issue. One was "Know Your Community" by (here he is again) THOMAS H. REED; the other "Government Financial Agencies" by HERBERT M. BRATTER, author of this month's article on industrial decentralization.

"Mr. REED's analysis of facts to be noted about any community is distinctly to the point," writes Miss MANLEY. "His idea that bank officials should promote such cooperative studies is certainly one to be followed up. The check-list of facts to know about your community is particularly helpful.

"Incidentally, the article was called to my attention through a Government publication, 'The Housing Digest', so I hope it is getting wide consideration.

"The other article, 'Government Financial Agencies', is a fine example of careful, condensed description of these activities under logical headings. It is going to be extremely useful to us in our handling of Government material."

Mr. BRATTER's article was a third revision of material that first appeared in this magazine several years ago and has been widely used for reference purposes.

And Still They Come

THIS TIME it's a man, a banker and a Colombian. He is EMILIO VILLAVECES of the Banco de Colombia, Bogota, and he wrote E. S. WOOLLEY, conductor of the "Ask BANKING" department, to present a question.

WORLD'S FAIR

Harvey D. Gibson, president of the Manufacturers Trust Company, New York, and chairman of the New York World's Fair Board, addressed an exhibitors' dinner at the close of the exposition



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EXECUTIVE OFFICE NEW YORK - BRANCHES IN PRINCIPAL CITIES

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In obtaining short term accommodation, GMAC issues one standard form of note. This obliga-

tion it offers to banks and institutions, in convenient maturities and denominations at current discount rates.



"I'm a little nervous today. I'm carrying eight dollars of my own money"

"The clear and sound replies given by you in the very interesting section under your care," he said, "have decided me to write the present letter. Please accept my sincere and unknown congratulations."

Mr. WOOLLEY has answered the question. It concerned asset ratios.

Correspondence Month?

IT'S BEGINNING to look as though this was Correspondence Month. Excuse it, please, but here's another. The writer is HENRY M. HART, vice-president of the National Bank of Commerce, San Antonio, who, upon learning of our bank director series, wrote:

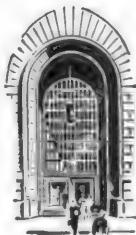
"If I did not know that the contents for future numbers of BANKING had to be made up some months ahead, I would think my recent correspondence with the A.B.A. office in which I was asking for some publications dealing particularly with the duties and functions of directors—other than their mere legal liabilities and responsibilities—might have had some influence on your decision to run the series referred to."

It happens, as Mr. HART suggests, that our plans were laid some months ago, for we felt that many bankers—and directors, too—would welcome practical discussions of how board members and bank managements can cooperate to their mutual advantage.

The second in this series by MILTON WRIGHT, of whom we were speaking a couple of pages back, appears in this issue. It takes up the director's key position in the defense program.

Many of Them!

AND LAST but not least—
MERRY CHRISTMAS!



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SECOND, because we were organized by and for insurance buyers, our representatives will look at your problems from your point of view. Their incentive is to serve you well and save you money.

THIRD, our selective underwriting policy results in fewer losses.

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20% of premiums through Liberty Mutual; and on fire insurance, from 20% to 35% of premiums through United Mutual.

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UNITED MUTUAL
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The Condition of BUSINESS

THE OUTLOOK. Commercial and industrial activity is increasing about as fast as the country's productive capacity will permit. Some important sections of industry are practically sold out for 1941 and prominently among these is the machine tool group. Every effort is being made to relieve the situation by adding equipment and buildings and by overtime and extra shifts.

It may be premature to worry about inflation in the price field, but business is keeping a constant weather-eye on the inflation-controllers who live in Washington. An increase of 15 to 20 billion dollars in the national debt during the next two years has an inflationary aroma that is hard to escape.

THE FUTURE OF PRICES. While there is no great fear of runaway prices now, or even in the near future, there is more than ordinary interest in the various preventives on the Government's shelf. The best bulwarks against any inflationary development at the moment are the customary level-headedness of American business and a widespread desire to cooperate voluntarily in every effort to advance the defense program.

Another safeguard, of course, is the dominant position of the Government itself as a buyer and as a stabilizer of prices. Coupled with this is the fact that our trade with the fighting countries is at a low ebb which will prevent any serious bidding-up of prices for our goods among foreign buyers. There is a little bit of this kind of thing in evidence but the problem is nothing like it was at the time of the other war, when willingness of foreign buyers to pay almost any price for certain useful war materials caused a steady rise in general price levels for domestic consumption.

GADGET, HOUSETOPI AND FIAT. So it is not inflation that business is worried about for the moment so much as the possible attempts to control it. A variety of tempting devices are at the day-to-day disposal of those at the helm. They are mainly of three types and might be thought of under such general headings as Gadget, Housetop and Fiat.

The Gadget type of inflation control includes bookkeepers' magic of all kinds, doing things to the dollar, to gold, to bank reserves and to the surplus stocks of cotton, grain and metals.

The Housetop method is based on publicity and consists of official statements from Washington. This device was used with great effect by the President in 1937 when he lowered the nation's price level by simply remarking publicly that he thought prices were too high.

The definite promise that this big publicity club is standing in the corner ready to be used, if needed, is contained in the words of the Treasury head, replying recently to a direct question on what controls against inflation were available to the Treasury. He said:

"We have nothing we can do other than bring it

forcefully to the attention of those people (various Government agencies) and to the public,—shout from the housetops 'danger'. . . . I am certainly not going to sit here, if I think I see something has got out of line. I will raise my voice very loudly."

The third or Fiat process of fixing prices has never worked very well but that does not keep people from trying.

There is a special factor, of course, that might make a difference this time and that is the influence that the Government will have as the leading purchaser in all markets. The experience of the other war should be very useful in this connection.

FINANCING DEFENSE PROGRAM. The question of financing the defense program has passed quickly through every stage from being a matter for the Government to take care of, to a problem on the doorstep of the banks and private industry. There will always be the big Government lending agencies ready with funds, when necessary, but the tendency is more and more to spread the production and financing part of the defense program out over the country in general into every region and community.

ASSIGNMENT PROBLEMS. The new assignment feature of Government contracts raises as many problems for banks as it offers opportunities for lending. The character and reputation of a borrower will continue to be just as important as it ever was, even if he comes with an armful of contracts.

The results would be thoroughly bad for business in general if the pressure of patriotism and defense requirements brought about a relaxation of the normal safeguards against bad loans. Performance and the ability of the contractor to deliver the goods is still the only real security for a defense loan.

CRoss INDEX. BANKING'S index of the general trend of business, obtained from a poll of 2,700 bank directors and bank presidents in all parts of the country, shows business continuing at very high levels in all fields and in all parts of the country.

Sixty-nine per cent of those polled for the purpose of this summary said that the volume of activity is increasing, 25 per cent reported activity maintained and 6 per cent reported a decline. The month before, the figures were the same, as well as the composite cross index figure, which stands at 92.

In reply to a question as to whether the improvement was due to the defense program, 72 per cent said yes and 28 per cent said no.

Forty-eight per cent of the bank presidents said that there has been increased loan activity traceable to the defense program and 52 per cent said that the effect had not yet been observable in their loans.

WILLIAM R. KUHNS

BANKING



Are you interested in a way to substantially reduce the cost of handling "Bulk Figure Work" in Banking Procedure?

In the Proof Department, the Comptometer proof plan proves deposits *at the source*, eliminates the expense of catching errors in distribution.

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The Smiths stepped out for an evening of excitement . . . and found it at home! A forced door, a buffet emptied of its silver, rifled wardrobes—all told the story. Another costly burglary.

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A few minutes' talk with a Maryland Casualty agent or broker will clearly demonstrate to you the completeness of the protection which is now available for *your* home, store, factory or office. Maryland Casualty Company, Baltimore.

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The Maryland writes more than 60 forms of Casualty Insurance and Surety Bonds. Over 10,000 Maryland Casualty agents and brokers can help you obtain protection against unforeseen events in business, industry and the home.

DECEMBER 1940

Mobilizing Money

DONALD M. NELSON

Mr. NELSON is Director of Small Business Activities, National Defense Advisory Commission, and coordinator of national defense purchasing. Formerly he was vice-president of Sears, Roebuck and Co.

THE BANKS throughout the country have made it clear that they welcome the opportunity of fully participating in the financing of the national defense program, and it is the desire of the Advisory Commission to the Council of National Defense, with the effective cooperation of the Board of Governors of the Federal Reserve System and the Federal Reserve banks, to accord them this opportunity.

In order that banks might be afforded a satisfactory basis for financing the construction of emergency plant facilities which manufacturers supplying defense materiel to the Government will need, two things in particular were desirable: (1) A special type of contract between the Government and the manufacturer providing for the construction of emergency plant facilities, and (2) Federal legislation which would permit claims against the Government to be assigned to banks as security for loans extended by them.

A new form of Government contract providing for the construction of emergency plant facilities was devised by the National Defense Advisory Commission after consultation with the War and Navy Departments and with the Comptroller General. The contract is intended to eliminate the possibility of loss to the contractor on new plant facilities required to carry out his Government supplies contract and also to safeguard the Government's interest in the plant facilities upon the termination or completion of the contract. Instead of having the Government pay the cost of the plant facilities construction through additions to the unit price of the supplies purchased, the plan contemplates that the Government reimburse the contractor over a period of five years for the amount of such construction costs. This results in a saving to the Government and at the same time eliminates for the manufacturer the risk involved in constructing fixed assets of an emergency character. Under the plan, after the emergency plant facilities have served their purpose in connection with the defense needs, the contractor may acquire the facil-

ties for himself, if he so desires, by paying the Government for them. The contract permits the assignment to banks of claims against the Government for money due under it and also permits a mortgage to be placed upon the plant facilities if the consent of the Government is obtained.

In order to ascertain in a general way to what extent banks would be willing to finance emergency plant construction on the basis of the assignment of contracts of this kind, a test survey was conducted by the Federal Reserve System in the latter part of September. The results were gratifying. This survey, which was conducted by the Federal Reserve banks during a 48-hour period, showed that commercial banking institutions throughout the country were prepared to lend for emergency plant construction as much as \$3,000,000,000, an amount much greater than there is now reason to believe may be needed. The survey demonstrated the willingness and preparedness of the banks to participate in the defense program and the speed with which the banking facilities of the country may be mobilized through the medium of the Federal Reserve System.

THE test survey was conducted on the basis of a draft of the new contract which had been furnished to the Federal Reserve banks. Later the form of contract was revised so as to incorporate a number of changes, many of which were additions intended to strengthen the protection afforded to banks extending credit upon the security of the contract. The revised form of contract was furnished to the Federal Reserve banks and their branches in mid-October, and they are prepared to furnish copies of the form of contract or to give information concerning it to banks, manufacturers and others who may be interested.

For many years past the laws of the United States have prohibited the assignment of claims against the Government. It was necessary, therefore, to secure a change in the law on this subject in order that contracts with the Government might be assigned as security for bank financing of the defense program. Liberalizing legislation in this connection was enacted by Congress in October, after numerous difficulties had been ironed out through the efforts of members of Congress and repre-

sentatives of other agencies of the Government, particularly the Board of Governors of the Federal Reserve System and the Defense Commission. Under the amended law, claims for money due from the United States under a contract providing for payments aggregating \$1,000 or more may be assigned to banks, trust companies or other financing institutions. There is therefore no longer this legal obstacle to prevent banks' extending credit upon the security of claims against the Government arising out of the emergency plant facilities contract, contracts with the Government to furnish materiel necessary to the defense program, or other Government contracts.

It is hoped that bank financing in connection with the defense program will be made available not only to the larger or better known manufacturers of the country but also to the smaller business establishments which may have an opportunity to participate in the defense program. With this in mind, the National Defense Advisory Commission has appointed a Director of Small Business Activities to deal with the problems and interests of smaller business establishments in relation to the defense program. In order to cooperate closely with the Advisory Commission's Director of Small Business Activities, the Board of Governors of the Federal Reserve System has designated one of its members to have charge of the activities of the Federal Reserve System with relation to the participation of small business in the defense program. These two officials will serve as a conduit of information for small business from and to the Defense Commission and the War and Navy Departments. Senior officers in each Federal Reserve bank and branch have been designated to serve as field and technical representatives in connection with this program.

It will be the purpose of the Director of Small Business Activities and the designated member of the Board of Governors, working through the officers of the various Federal Reserve banks, to assist small business in establishing contacts with the procurement officers of the Government and to see that small business knows the needs and requirements of the War and Navy Departments and of the primary contractors who have been awarded defense contracts. They will also endeavor to aid primary contractors in establishing contacts with subcontractors in various parts of the country. One of the primary functions to be performed by the Federal Reserve System in connection with the matter is to advise small business on methods and means for obtaining financial assistance from local commercial banks. In cases where local banks may be unable to extend the required financial assistance, arrangements can be effected whereby it may be possible for the Federal Reserve banks or the Reconstruction Finance Corporation to supply the necessary funds.

Briefly stated, the Director of Small Business Activities, with the assistance of the Federal Reserve System, will be in a position to serve as an effective liaison between War and Navy procurement officers, potential contractors, subcontractors, and local bankers, so that defense contracts may be executed simultaneously with provision for adequate financing. The function to be

performed, it is believed, will become increasingly important as the system of subcontracting becomes more widely extended, and the Director will thus be enabled to assist in bringing into fullest possible use all available plant facilities and unused man power among small and medium sized businesses without disrupting normal civilian requirements.

It will be the responsibility of the designated officers of the Federal Reserve banks to report on the availability of small business enterprises in their districts to participate in the defense program, to familiarize local banks with the procedure to be followed in accepting assignments of Government claims as security for loans, to encourage local banks to make loan commitments on condition that borrowers obtain Government contracts, to furnish business enterprises with information as to procedure in obtaining defense contracts, and to assist small business enterprises which have defense orders to obtain the necessary financing from their local banks. The Director of Small Business and the representatives of the Federal Reserve System will endeavor to maintain close contacts with the Government procurement officers in the various areas throughout the country.

The Director of Small Business Activities and the designated representatives of the Federal Reserve System met in Washington on November 12 and discussed in some detail the liaison program as outlined above. It

'Total Finance' For Defense Is Asked of Banks

Nelson Urges Capital for Subcontractors Who Feed Assembly Lines for Arms

WASHINGTON, Nov. 12 (AP)—Donald M. Nelson, director of small business activities in the defense program, told forty-seven officers of the Federal Reserve banks and their branches today that the future of the commercial banking system would be influenced largely by the manner in which local banks helped to provide "total finance for total defense."

A clipping from the New York *Herald-Tribune*.
It was announced that an officer had been designated in each Federal Reserve bank and branch to handle "all problems relating to field and technical activities of the smaller business enterprises." (See "Where To Find Technical Help," p. 33.)

The Sears Roebuck vice-president, who is co-ordinator of national defense purchases as well as head of small business activities for the National Defense Advisory Commission, spoke before a conference of the Federal Reserve officials and procurement officers of the Army and Navy. The meeting was arranged under the direction of Mr. Nelson and Ernest G. Draper, of the board of governors of the Federal Reserve System.

Grave Challenge Seen
"The fulfillment of the defense program has raised a 'grave challenge which the commercial banks of this nation must face' Mr. Nat.



HARRIS & EWING

WASHINGTON—*Above, left*, Donald Nelson (at left) with Sidney Hillman and William Knudsen, members of the NDAC



NEWSPHOTOS

Above, right, the Federal Reserve Building, headquarters of the NDAC and of Mr. Nelson's efforts in behalf of small business

AMERICAN BANKERS ASSOCIATION—A meeting in New York of the Association's committee on assignment of claims under government contracts. *Left to right*, George T. Newell, vice-president, Manufacturers Trust Co., New York; D. J. Needham, A. B. A. General Counsel; David C. Barry, vice-president, Lincoln-Alliance Bank & Trust Co., Rochester, N. Y.; Harold Stonier, A. B. A. Executive Manager; Wilmer J. Waller, vice-president and cashier, Hamilton National

Bank, Washington, D. C.; J. Harvie Wilkinson, Jr., vice-president, State-Planters Bank & Trust Co., Richmond, Va., and chairman of the committee; Thomas B. Paton, Assistant General Counsel; L. C. Bertram, Assistant Counsel; Melvin C. Miller, Assistant Secretary, Bank Management Commission; Frank W. Simmonds, A. B. A. Senior Deputy Manager and Secretary, Bank Management Commission. This committee subsequently met in Washington, D.C.



HARRIS & EWING

MACHINERY to help the banks make national defense loans is being set up by the American Bankers Association. As BANKING went to press President Houston was soon to appoint a bankers' committee to promote participation of banks in the defense program. Also, a special committee of the Bank Management Commission (above), in conjunction with the Legal Department, was studying the law permitting assignment of claims in Government defense contracts as security for loans, with a view to preparing an explanation of the procedure for handling loans made under such circumstances.

Cooperation With Local Banks in Financing The Defense Program

IN connection with the National Defense Program many companies are being invited to bid on orders not only for products in their regular line but also for products that they are competent to make but which may not be related to their normal production. This may require plant alterations or additions, installation of special machinery, and bring about a need for additional working capital.

In common with banks throughout the country, the Guaranty Trust Company of New York desires to participate in the financing of such requirements, through cooperation with local banks to the extent that its facilities may be desired—not only as a matter of good banking but also because of its desire to aid in the nation's program.

We would welcome an opportunity to discuss with officials of your institution how our resources and facilities may be utilized by your bank.

Guaranty Trust Company of New York

FIFTH AVENUE AT
44TH STREET

140 BROADWAY

MADISON AVENUE AT
60TH STREET

Member Federal Deposit Insurance Corporation

A typical ad on the defense theme, from
November BANKING

The author, under the general supervision of the A.B.A. Public Relations Council, recently wrote the Association's course in Building Business for Your Bank. He also is the author of several widely known books on business and personal development. This is the second of a series of articles on the art of being a bank director.

THAT the bank director occupies a key position in the broad program of national defense is a fact which, as yet, has not been generally realized. At no time in history has he been so important.

The reason is to be found in the methods by which wars now are waged. We have come a long way from the time when preparations consisted of handing a kilted warrior a claymore and a bag of oats and piping him off to the wars with the rest of the clan. Today the whole populace has a part to play. The outcome of conflict in the field is determined, before ever the clash occurs, by what has taken place back home. We are in the machine age of warfare.

To be secure from attack calls for complete industrial mobilization. That, in turn, calls for complete financial mobilization. And that is where the patriotic bank director finds his unique opportunity to serve his country.

There are a multitude of ways in which he can do it. Take, for example, the recent law providing for a government contract that is bankable. A contractor who has completed the required work is now able to discount the Government's obligation at the bank, and then go on

The Immediate Job— Financing the Industrial Program

Bank Directors and Defense

MILTON WRIGHT

and do further work. A routine job for the bank, you might say, but what is there for the director to do?

The director's course is clear. If he is like most directors, he is a man of practical affairs. True, he does not know the intricacies of banking as well as does the executive management of his bank, but he knows other things just as important in these trying times. He knows his own line of business. He knows something about related lines. He is in touch with men and companies beyond the range of the bank's contacts. He can see opportunities for industrial defense efforts—under bankable contracts—that the bank officer is not likely to see.

There is, for example, a certain director who knows something about metallurgical processes. In the neighborhood of his bank is a manufacturer of tools of a kind used in every machine shop and factory. This manufacturer has not yet had any government contracts, but he probably could get them if he could step up his production.

Here was a field in which the executive head of the bank would have been hopelessly lost, but the director with specialized knowledge was right at home. A little observation convinced him that the one thing holding the plant back was the fact that the steel it used had to be specially processed before going into production. Buying steel like that resulted in not only greater cost, but frequent delays in delivery. The director suggested that the manufacturer install equipment to do the processing himself. Then he suggested to the bank that it make a loan for the purpose. Decreased costs and increased output already have proved worth while for the manufacturer, for the bank, and—what is more important—for national defense.

An example along similar lines, that deserves to be even better known than it is, took place in a New England coast community even before the Government's program was speeded up to its present tempo. A bank director happened to read that the Navy had appropriated a quarter of a million dollars for crash boats. (A crash-boat is a speed boat that dashes out to the rescue of an airplane forced down on the water.) This director, who was a boating enthusiast, went to a

(CONTINUED ON PAGE 60)

The Longer Job in the Defense Effort

Planning the Town You Want

THOMAS H. REED

Dr. REED, an authority on municipal government, contributed to the August, September and October issues of BANKING on this subject.

MANY of the physical ills of individuals are occasioned by careless use of drugs or other remedies, without the benefit of careful diagnosis. No one should think of going on a diet, having an operation or undertaking a course of medicinal treatment except after diagnosis based on careful observation. What the doctor can't see with the naked eye he penetrates with the X-ray. There are many points about your community which are obscure until some one deliberately brings to bear on them the rays of research and analysis. You can't know your community by just skimming its surface. You have to get below superficial appearances to the realities of its organic life.

There are two purposes in X-raying your community by means of the self-survey about which BANKING has been publishing articles for the past few months. The first is to supply the information necessary for intelligent planning of community development. Sound objectives can be picked and effective means of achieving them discovered only in the light of facts systematically gathered and carefully analyzed. This is planning in its broadest sense. It includes what we ordinarily speak of as "city planning" and much more.

"City planning" has to do with the adaptation of the physical features of the community to its economic and social needs. It deals with such things as street layouts, transportation facilities, the location of public buildings, and the zoning of land for various uses for the stabilization of land values and the protection of mortgages. It is too bad that it is not more thoroughly and consistently attended to. The better you know your community the more important city planning will appear to you and the more you will insist upon it.

But a further kind of planning is possible if you really know your community—the planning of those economic activities which the community will concientedly encourage. You can plan the kind of a town you want to have—a steel town, a textile town, a diversified industry town, any one of a hundred kinds of town.

You can plan to play your part in the great symphony of national defense in which the "strings" and "wood-



COURTESY GENERAL MOTORS

A segment of the "Futurama", World's Fair attraction showing roads, villages and cities of the future

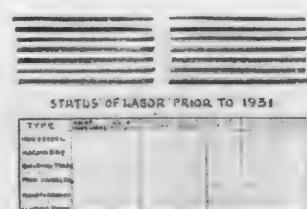
winds" of peaceful industry are as important if not as loud as the "brasses" of armament production. You can plan the steps by which the goal you have chosen can be reached safely, constructively and without the backlash of reaction or recession. To lay the foundation for such plans is the first purpose of the self-survey.

Its second purpose is to supply an armory of convincing arguments which can be used in demonstrating your community's advantages for industries of the desired types. Facts make better propaganda than eye-wash. Strongly arrayed they are irresistible. The very same facts which are capable of convincing you in the choice of community objectives will convince others that your community should become their community too.

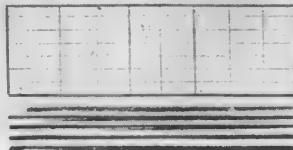
When the X-rays of every pertinent aspect of your community's life have been made, and your conclusions drawn from them, the whole can be put together in a report. Such a report can and should be largely graphic and pictorial. Maps, charts, diagrams, tables, with terse, clear-cut explanations, will win for it the most attention, in these hurried, almost frantic, days. An outline useful for this purpose was in September BANKING, page 34.

An artist's drawing of one page from a book that would show the results of a community self-survey. The book would consist of charts, maps, photographs and textual matter, giving in highly concentrated and graphic form pertinent data on a community's industrial potentialities

Yourtown's LABOR RELATIONS . . .



STATUS OF LABOR SINCE 1931



Toward a New Industrial Map

An Old Problem's New Significance

HERBERT M. BRATTER

Mr. BRATTER, a regular contributor to BANKING ("The National Prospect"), writes here on a problem closely related to the community defense efforts discussed on the preceding two pages.

WITH "defense" now the watchword, all business plans must take into account the national need.

In the field of industrial planning, strategic considerations are now uppermost. The National Defense Advisory Commission has officially sounded the warning that "undue geographic concentration of orders should be avoided, both as to procurement districts and as to industrial sections within any such procurement district. Reasons for such decentralization relate to factors of military strategy, as well as avoiding congestion that will slow down production."¹ Hereafter there will be an impetus to decentralization.

As a topic of interest to local communities, "decentralization of industry" is not entirely new. It has long been familiar in the manufacture of such products as cement, furniture, canning, meat packing, tires and the like where saving in transportation costs or avoidance of labor tieups have been the main reason. Decentralization has been the subject of frequent investigation in and out of Washington, and studies now under way are scheduled to issue from Washington in coming months.

HISTORICALLY, the extractive industries scattered our population. Then large-scale trade and industry brought them together. Steam acted as a concentrative force on industry, while the development of electricity has exerted a dispersive influence. In recent decades the movement of industry has been characterized in part by migration, and by both concentration and dispersion. The National Resources Committee (now known as the National Resources Planning Board) in 1937 found that "the concentration of industry in given regions is becoming less marked. . . . Certain types of industry have moved from the centers of the cities to peripheral areas, while industries with large capital investments in huge and complex plants and requiring concentrated pools of labor have shown less tendency to follow. This phenomenon is particularly true of the larger cities. But there is no evidence of a marked dispersion of industry from the cities into the country. . . . In general, then, it may be said that the number of industries that are changing their location is decreasing, although the movement from the urban centers to the metropolitan peripheries remains significant."

¹ Message from the President of the United States, House Document No. 950, published in the Congressional Record, September 13, 1940, p. 18363.

It is not safe to be too definite in generalizing about the concentration and decentralization of industry in this country. We should, at the outset, define what we mean. By "decentralization" is usually meant not merely the diffusion of industrial plants within a given manufacturing area or areas, but their dispersion into scattered towns and villages outside the areas of industrial concentration.

During the past two generations, we know, many industries experienced consolidation, smaller units being absorbed by larger ones or else eliminated. Examples of past concentration are Pittsburgh, Gary, Lawrence, Chicago, Detroit and Fall River. Perhaps the best advertised example of the decentralization process has been the case of the Ford Motor Company.

WE do know definitely that during the Twentieth Century industry has tended to move southward and westward, although manufacturing is still relatively more important in the northeastern and middle states than it is elsewhere. Despite such broad movements as have occurred, the salient feature of industry, as reflected in the distribution of wage jobs in the United States, is its continued concentration in a relatively few areas. The northeastern region, which in 1899 accounted for 58 per cent of the wages paid, in 1933 still accounted for 47 per cent. During the same period the importance of the middle states increased from 28 per cent to 33 per cent. During the first third of this century the manufacturing belt extending from the Atlantic Coast beyond the Great Lakes retained a large measure of its predominance, losing less than 5 per cent of its share of the nation's wage jobs. The 200 counties comprising the industrial areas accounted for 76.1 per cent of wages paid in 1899 and 78.9 per cent in 1933; 73.2 per cent of wage jobs in 1899 and 73.0 per cent in 1933.

In general, during the first three decades of this century, industrial cities and their large satellite cities have tended to yield ground to their industrial peripheries, to other cities and to industrial counties, the statistics show, rather than to rural areas. New England provided an exception to the diffusive movement, however, with a marked opposite trend toward centralization, according to the National Resources Planning Board.

The Ford Motor Company has had practical experience with industrial dispersion and diffusion. In 1938 it reported that "decentralization is not the righting of errors inherent in mass production, but the logical outcome of experience only mass production can provide. . . . Nor is it the mere changing of locality, or the opening of branches; it is separating parts from a large organization and setting them in other places to

operate independently. The Ford Motor Company has been experimenting with decentralization for 20 years and within 50 miles of Dearborn now has 22 small hydro-electric 'village' plants in operation, in progress of building, or in prospect . . . manufacturing such parts as lamps, starters, generators," etc. Among the advantages of decentralization, apart from those of civic and national significance, the Ford Motor Company regards as important happier workers, better work and less labor turnover.

Complete decentralization is not to be expected, W. J. Cameron significantly cautioned. "The heavier and final operations in manufacture must remain centralized; foundries and large units must remain intact. . . ."

From the strictly business standpoint, planning the location of a new plant involves careful weighing of many factors, notably costs. Once an industry has established itself in a locality, many costs are beyond its control. In different locations there are variations in such facilities and costs as real estate or rent, labor, materials, transportation, taxes, fuels, power, water and waste disposal. The very fact that industrial activity has been so highly concentrated suggests the profit potentialities of decentralization.

Cheap and widespread power, good roads and generally lower passenger and freight transportation costs have spotlighted the manufacturing possibilities of the small community. The outstanding remaining advantage of the large city, proximity to markets, has tended to be outweighed by added costs.²

Added attractions of industrial decentralization include the possibility of an unrestricted area to develop large plants under a single roof, better trucking facilities, better light, less confusion, greater economy and efficiency of production, gradual training of replacement labor, workers helped by farm employment in slack industrial seasons, more stable personnel and less labor turnover.

To the advantages to the manufacturer must be added the advantages of decentralization to the employee: better homes and food, better health, pleasanter working conditions, lower living costs. When Sonotone moved from New York City to Elmsford, 30 miles away, it found, after a year, that it had reduced costs, increased sales, with increased efficiency and contentment for everybody. The saving in rent was enough to pay for the new plant within 3½ years. Visitors were reduced to those who actually have business to transact.

While there are distinct benefits to small communities in attracting industry, and to the industrial enterprise concerned, there are also certain possible disadvantages both to the city which loses the industry and to the community which acquires it. To quote the National Resources Committee again: "The advantages to the industry, however, are sometimes offset by the disadvantages to the community, and the gains of the peripheral area are sometimes a loss to the central city, especially if they are politically separated, because the central city may continue to render certain public

services incident to the industry without receiving proportionate tax revenue."³ The committee cautions against unsound principles of industrial planning, lest money be wasted. Local planning, it states, needs the guidance based upon research by government on higher levels, and integration with general plans of larger areas.

Bankers interested in developing the industrial and commercial possibilities of their community will find valuable suggestions in the Commerce Department's 1938 bulletin, *Suggestions for Use in Making a City Survey* (Domestic Commerce Series No. 105). The Department's market data handbooks are also valuable for reference in this connection.

Of great value to community planning, moreover, are certain publications of the National Resources Planning Board, especially Circular XIV, *Federal Relations to Local Planning* (December 15, 1939); *The Future of State Planning* (March 1939); and *Our Cities: Their Role in the National Economy* (June 1937).

² *Our Cities: Their Role in Our National Economy*, National Resources Planning Board, Washington, 1937, pp. 38-9.

Status of Industrial Inventory, October 1, 1940

A table of the Army and Navy Munitions Board, showing progress as of October 1. An "allocation" is an assignment of the future productive capacity of a manufacturing facility

STATE	PLANTS ALLOCATED	PLANTS SURVEYED	TOTAL PLANTS IN AREA	TOTAL VALUE OF PRODUCTS	PERCENT PLANTS ALLOCATED
ALABAMA	108	212	1,874	\$573,763,522	5.8%
ARIZONA	4	7	290	118,355,981	1.4
ARKANSAS	17	29	1,048	164,676,277	1.6
CALIFORNIA	635	1105	10,861	2,899,865,426	5.8
COLORADO	37	63	1,233	237,838,370	3.0
CONNECTICUT	461	789	2,892	1,261,788,693	15.9
DELAWARE	34	65	359	124,383,887	9.5
DIST. OF C. O.	6	11	469	74,107,967	1.3
FLORIDA	19	33	1,835	217,044,982	1.0
GEORGIA	160	297	2,875	708,652,241	5.6
IDAHO	4	7	533	101,324,545	.8
ILLINOIS	752	1,465	11,764	5,304,282,629	6.4
INDIANA	297	501	3,939	2,497,547,946	7.5
IOWA	70	137	2,454	709,458,428	2.9
KANSAS	24	45	1,526	543,807,190	1.6
KENTUCKY	89	151	1,624	504,897,342	5.5
LOUISIANA	35	59	1,684	580,839,828	2.1
MAINE	92	178	1,171	348,636,096	7.9
MARYLAND	215	397	2,683	1,095,862,972	8.0
MASSACHUSETTS	731	1,387	8,619	2,620,788,793	8.5
MICHIGAN	425	793	5,614	5,296,100,960	7.6
MINNESOTA	119	217	3,718	937,462,797	3.2
MISSISSIPPI	24	45	1,100	190,670,510	2.2
MISSOURI	279	533	4,291	1,505,383,002	6.5
MONTANA	4	7	515	176,278,814	■
NEBRASKA	23	43	1,071	282,502,287	2.1
NEVADA	0	0	84	20,568,365	—
NEW HAMPSHIRE	75	139	794	249,631,724	9.4
NEW JERSEY	574	1,048	7,064	3,253,426,218	8.1
NEW MEXICO	0	0	241	20,598,868	—
NEW YORK	1,263	2,489	29,749	7,314,446,524	4.2
NORTH CAROLINA	67	121	2,896	1,384,737,686	2.3
NORTH DAKOTA	2	4	340	45,836,712	6
OHIO	846	1,627	9,138	5,099,816,893	9.3
OKLAHOMA	18	33	1,428	366,088,721	1.3
OREGON	63	121	2,107	363,142,053	3.0
PENNSYLVANIA	1,617	3,048	13,084	6,032,083,005	12.4
RHODE ISLAND	161	317	1,409	517,196,193	11.4
SOUTH CAROLINA	133	211	1,193	409,911,517	11.1
SOUTH DAKOTA	0	0	434	67,276,395	—
TENNESSEE	117	221	2,083	707,986,784	5.9
TEXAS	136	257	4,422	1,581,422,401	3.1
UTAH	25	47	552	204,857,058	4.5
VERMONT	39	63	683	111,876,051	5.7
VIRGINIA	97	150	2,384	908,222,316	4.1
WASHINGTON	118	216	3,057	675,639,592	3.9
WEST VIRGINIA	46	87	1,057	480,526,030	4.4
WISCONSIN	274	483	6,318	1,772,310,417	4.3
WYOMING	3	0	235	49,128,729	1.3
U. S. TOTAL	10,338	19,262	166,794	60,712,871,737	6.20%

² See article by George C. Smith in *Factory Management and Maintenance*, New York, April 1938.

Investment Plans for 1941

A Report to the Board of Directors

E. SHERMAN ADAMS

Mr. ADAMS is an eastern banker who frequently contributes articles on bank investment problems. His last, "Is Your Bond Account Ready?", appeared in November.

IN VIEW of the startling developments of the past year, it seems particularly appropriate at this year-end that we should pause to reexamine carefully our bank's investment policies.

For this reason, I suggest that this meeting be devoted to a discussion of seven vital questions of investment policy. The purpose of this report is to outline the principal factors that we should take into account in arriving at our answers to these questions.

1. Are there certain factors in our particular situation that should be given special consideration in deciding upon our investment policies for 1941?

AT A TIME LIKE THIS, when anything may happen, it is unusually important that our investment policies should be adapted to our bank's individual needs. Each of you has been furnished with a tabulation giving comparative figures for our institution going back over a period of 10 years. Questions of investment policy should be considered in the light of our past experience and from the standpoint of current and probable future trends in our assets and liabilities.

For many years there has been a strong upward trend in bond prices and our deposits have been rising rapidly. These factors may have covered up past mistakes in our investment policies. We cannot count on being equally fortunate in the future.

Particular attention should therefore be given to the financial condition of our bank. Our investment program must insure adequate safety under any conditions. With deposits at such a high level, we should analyze their composition and attempt to estimate their probable future stability.

We should appraise as best we can the possible effects that the defense program may have upon our community, upon our loans, and upon our deposits. In the case of individual banks, a prospective expansion of loans may require a new approach to the problem of securities.

Investment decisions may be influenced by other banking policies recently adopted or under consideration. For example, a reduction in the rate of interest on savings accounts taken into account in deciding how much income should be obtained from securities next year. This applies to other policies which may affect net income during 1941, such as the inauguration of a new schedule of service charges, expansion of personal loans, acquisition of FHA insured mortgages, and so forth.

2. In view of existing conditions, should we plan to keep sufficiently invested to maintain net current earnings at a satisfactory level during 1941?

SOME BANKERS TODAY are following a deliberate policy of holding excess cash although operating in the red. They are expecting a real slump in bond prices. Interest rates are, admittedly, very low compared with levels once considered normal. It is claimed that several factors might cause them to rise.

One argument is that this country may become involved in war, or that we may at least come close enough to it to cause a sharp decline in bond prices. Another is that banks may liquidate securities if their loans increase substantially. Some bankers fear that the huge amount of borrowing contemplated by the Treasury may depress bond prices. Finally, monetary authorities may take steps to reduce excess reserves.

The other side of the picture is that interest rates may remain low for a long time. Excess reserves are at staggering heights and there is as yet little indication that they will be appreciably reduced for many years. If the United States should go to war, monetary authorities would presumably employ any means necessary to keep interest rates low. They already have great incentive to do so because of the vast amount of refunding and new borrowing that lies ahead for the Treasury. In the event of war, the incentive would be even greater. Great Britain has already shown how effectively interest rates can be controlled by the Government during wartime. The fact that extensive Government borrowing may not depress bond prices has been conclusively demonstrated by our experience ever since 1932.

If a bank has inadequate capital protection, it may not be justified in investing enough to show good earnings at a time like the present. Also, in view of the obvious uncertainties, the conservative policy would be to keep more cash on hand than would be regarded as sufficient under more normal circumstances. Our own bank has made very liberal provision for primary and secondary reserves.

We must make profits to absorb inevitable losses and to build up our capital accounts. We also have responsibilities to our savings depositors, to our employees and to our stockholders. Is it conservative practice under existing conditions to suffer unnecessary operating losses on the chance that we may make greater profits in the long run? As to just what the odds may be with respect to that chance, I cannot say. Neither can anyone else. It may be worth remembering, however, that current quotations for high grade bonds represent to some degree the composite judgment of many investors as to the relative risks involved in holding them.

3. Should we plan to change the size of our investment account from time to time according to our opinion of the outlook for the market?

CAN WE PROFIT by trying to guess short-term swings in bond prices? In order to do so, it is necessary to be both shrewd and lucky. Shrewd, because one's judgment is pitted against that of many shrewd and specially-trained experts who have extensive facilities and whose entire time is devoted to this subject. Lucky, because bond prices are frequently affected by events that cannot possibly be foreseen by anyone. Today it seems more difficult than ever before to predict market fluctuations.

Even if we are fortunate enough to sell out before a decline in the market, prices may recover all of their losses before we get back in. Even if we buy back at lower prices, we may not come out ahead of the game because of the income lost during the meantime.

Our own past experience should be a convincing argument. The record shows that we would be better off today if we had not shifted our position on several occasions during the past few years. We do not have the time nor the facilities to study market conditions continuously and intensively.

The issue might also be raised as to whether it is a proper function of a commercial bank to vary its inventory of securities according to guesswork regarding market fluctuations. Actually, more is involved than simply speculating on inventory. When a manufacturer speculates on inventory, his gross revenues are seldom affected. In the case of a banker, his inventory of securities is revenue-producing. He is liquidating part of his business in the hope that he will be able to buy it back at some later date at a lower price. Would it not be more consistent with fundamental concepts of the nature of banking to regard investments as term loans which are acquired for the sake of the income they produce and because they are desirable assets to be held until due?

4. If we decide to add to our investment holdings, should we invest now or postpone buying for the time being?

FROM A STRICTLY LOGICAL standpoint, most of the points presented in connection with the previous question apply to this one as well. However, there is less risk involved in trying to select an opportune time to make new commitments than in trading a substantial part of the bank's portfolio. Also, with bond prices at such high levels and with world affairs so unsettled, a temporary sell-off may develop in the market at any time. If it does, we admittedly may not have the nerve to buy because the outlook will naturally appear especially black at just such a time. One solution would be to enter buying orders now at prices somewhat below present quotations.

A compromise policy would be to invest part of our money now and to keep the remainder uninvested for a while. An additional reason for doing this is that we may over a period of time have opportunities to pick up securities at favorable prices. The Treasury will doubtless invite subscriptions to a large quantity of defense obligations during 1941 and there may be some attractive new offerings of corporate and municipal bonds. Blocks of suitable issues already outstanding but inactively traded may at times become available.

5. Should we plan to sell securities if our loans and discounts increase appreciably during the coming year?

SOME BANKS definitely plan to do this as a matter of conservative policy. A bank which does not have ample capital protection has no sound alternative to a policy of strengthening its investment position if the risk in its loan portfolio is increased.

But this does not necessarily mean a reduction in the size of the bond account. The same end can be achieved by the elimination of bonds of questionable quality or a shortening of the average maturity of the list by shifting from long maturities to short and medium term issues.

In view of the borrowing that the Federal Government will have to do to finance defense, it seems inevitable that the volume of bank deposits will continue to increase for some time to come. In my judgment, the trend of our own deposits is very likely to continue upward for a number of years. That being the case, it would seem preferable to strengthen the composition of our portfolio rather than simply to reduce its size, if we should have a substantial expansion in our loans.

6. Should we sell some of our United States Government securities at present levels in order to realize profits?

WE SHOULD FIRST consider whether we really need to freeze these profits in order to strengthen our reserves against possible losses in other assets. If so, there may be some point to taking profits now because they may not exist at some future date when we need them. Otherwise, selling bonds simply "in order to realize profits" may be very difficult to justify. Before making any sales whatever, it is only common sense to decide what we are going to do with the proceeds. Let us analyze various possibilities.

If we are going to reinvest immediately in similar issues, we are thereby merely writing up the book value of our portfolio. Moreover, the chances are that we will have to pay for indulging in this useless procedure in the form of income taxes on the profits realized. From a realistic standpoint, the amount of the stockholders' equity in the bank's assets will have been reduced by the amount of taxes paid. The bank's position will be weaker, not stronger. Moreover, current income will be reduced.

If proceeds from sales of long term bonds are reinvested in short maturities and if profits are applied to write down premiums, these profits will thereby be brought into current income in a disguised form during the next few years. This bookkeeping will not alter the fact that the bank's actual income from securities will be reduced. If interest rates remain at present levels, there may be a sharp drop in the bank's net earnings as these short issues mature, unless long term issues are again purchased.

If the proceeds from sales are to be kept idle pending a better opportunity to buy, the whole transaction really boils down to an attempt to guess the market. This policy has already been discussed in this report.

OUR decisions with respect to these questions may greatly affect the future progress and well-being of our institution. It is a clear responsibility on our part to formulate definite answers now. It is also a matter of plain common sense.

Courts and Trust Fees

HENRY A. THEIS

Mr. THEIS is vice-president of *Guaranty Trust Co., New York, and Chairman, Committee on Costs and Charges, Trust Division, American Bankers Association.*

IN these days of low bank earnings, when banks have to make pennies count, anything that tends to affect earnings adversely has to receive the closest attention of management.

There has been considerable legislation within the recent past having to do with the treatment of corporations which cannot meet their debts. One of the objects of this legislation has been to reduce the cost incident to reorganization. Reduction in costs has not followed naturally, so courts and commissions have made drastic cuts in the compensation asked. Banks in their trust capacity have suffered equally with lawyers, engineers and accountants.

Most banks are conscientious in the performance of their duties and they put the best that is in them into their work. Their problems are usually complicated and the paths which they feel they have to take are beset with hidden liabilities. The work is of such a character that it requires the attention of the higher ranking officials to a greater degree than almost any other phase of the trust business.

In their applications for fee allowances the banks have been earnest and painstaking in their efforts to set before the courts and the commissions the picture of services that have been performed and a measure of the value of those services. Neither the courts nor the commissions have established a yardstick for measuring the value of services, and banks never know what will be considered in individual instances relevant or irrelevant evidence.

IN the old equity reorganizations, many of the services which now must necessarily be performed by mortgage trustees were performed by strong committees representing large deposits of bonds. This was particularly true as to questions relating to the provisions of a plan of reorganization. Recent legislation has discouraged the forming of protective committees to such an extent that it is a rare instance today when a real committee is functioning. Consequently the performance of the duties now expected of mortgage trustees calls for active and skillful participation in all the steps incident to reorganization.

Mortgage trustees have been guided by the view that their activity should be directed to the protection of the interests of the holders of bonds issued under indentures for which they act as trustee, and to the facilitation of reorganization. Adherence to such standards of activity and responsibility by mortgage trustees is, in the opinion of mortgage trustees, essential to the prompt and economical consummation of corporate reorganizations. The fixing of compensation less than reasonable would inevitably tend to discourage such adherence.

That the character of the services rendered has on occasion been understood is evidenced by the text in some of the findings which have been handed down. Such excerpts as the following would so indicate:

"The trustee of the mortgage affirmatively supports the plan. The significance of this factor has already been noted generally, but it is proper to add that by supporting the plan the mortgage trustee assumed the risk of such unwarranted charges as have been made against the group and its considered expressions are no mere formality."

"The ultimate responsibility had to be taken by some officer of the trust company, which involved time, energy, effort and also familiarity with what was going on. Now that is entitled to some compensation."

On the other hand there are those who do not recognize the important part played by an indenture trustee. The extreme along these lines is probably contained in the following excerpt from a special master's report:

"There were three types of questions which might have been presented to the trustee: they might have been (1) legal questions, or (2) questions of policy, or (3) matters that were purely clerical or administrative. Let us suppose that the question was a legal one. Then the sole responsibility of the trustee was to employ competent counsel. Surely it is not entitled to compensation for doing this. And, after the counsel had been employed, the work to be done was their task alone, and not that of the trustee. Let us suppose that the question was one of policy in regard to the operation of the railway system, such as the renunciation of a lease, or the abandonment of a piece of railroad. Here the action of the trustee would very largely reflect the views of the receivers and their counsel, aided by the advice of its own attorneys. This should be taken into consideration in considering the compensation for services of this character. If the question presented was merely clerical, such as rendering an account, or assembling information from the trustee's files, it seems to me that such work didn't approach in importance that done by the attorneys, and that the rate of payment should not approach in amount that to be allowed the latter for their professional labor, ability and skill."

The foregoing statement was made in spite of the fact that the services rendered by the trustee were summarized in a 46-page affidavit by a responsible officer of the trustee, and in spite of considerable oral testimony on the part of several representatives of the trustee.

BANKS are not unmindful that the problem of providing efficient machinery for the handling of corporate reorganizations, and making that machinery work smoothly, is a difficult one, and one not without certain social aspects. They realize that they cannot measure their compensation by standards that would be considered reasonable in their dealings with prosperous, going concerns. In arriving at the amount of compensation they ask for they have in mind that these are hospital cases. They have always been willing, in unusual and unfortunate situations, to contribute their part. While they can afford to contribute in some instances, they cannot afford to do so in all instances. Not only are they confronted with the item of expense but also the even greater item of unforeseen liabilities.

Counterfeiting Slumps

Secret Service Attains a 79 Per Cent Drop from 1937

FRANK J. WILSON

The author is Chief of the United States Secret Service.

It is with especially great satisfaction that I address this article to the group—the bankers of America—which has been most instrumental in assisting the United States Secret Service in its drive to suppress counterfeiting. Only through your continued ceaseless and wholehearted cooperation will the success of our campaign be assured.

The Secret Service little realized, when it coined the "Know Your Money" slogan a little more than a year ago, what far-reaching repercussions that phrase would have. It is with great pride that I am now able to report a very substantial reduction in loss to the public from the counterfeiting of the nation's money. To cite some meaningful statistics, during the first ten months of the calendar year 1937 such losses amounted to \$426,698. The first ten months of this calendar year saw these losses reduced to \$88,733. Only through a most intensive campaign, with your cooperation and that of the general public, has this phenomenal reduction of 79 per cent been achieved.

As most of you know, the first part of our campaign two years ago consisted of personal calls made by our agents on merchants, bankers, shopkeepers and others who had occasion to handle sums of money. These direct interviews awoke immediate interest in the minds of those with whom we were most vitally concerned. The vigilance which resulted far surpassed our most earnest hopes.

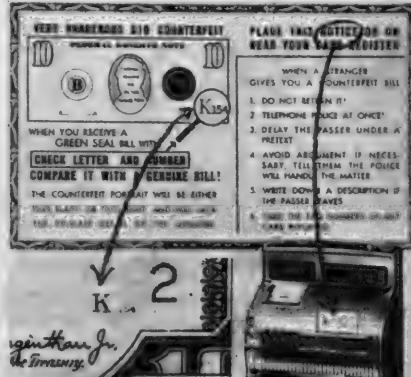
Passing from this preliminary stage of the campaign, the field of the lecturer was then invaded by our agents. The response was instantaneous. Bank and store clerks and cashiers—in fact, practically everybody who had any occasion at all to handle money—attended these lectures by the hundreds of thousands. Our agents travelled to even the smallest towns so that nobody would be missed. The information they dispensed was eagerly and enthusiastically received all over the country.

The Secret Service next decided to take even more unusual steps. The first results had been so encouraging that it was felt essential to continue the program. The logical result was to make our own *Know Your Money* motion picture, a publicity feat which undoubtedly

*Below are two pages reproduced from the book, *Know Your Money*, to which Mr. Wilson refers in his article*

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KNOW YOUR MONEY



This is a picture of the lower right corner of the counterfeit bill described in the above warning notice. The arrow points to the check letter and plate number "K-154." This letter and number have been used on many counterfeit \$10 bills.

Post Notice on Or Near Cash Register

WARNING NOTICES like the one above, describing counterfeit bills appearing or likely to appear in your community and sent to merchants and other money handlers. These notices should be posted on or near cash registers, as shown above.

MERCHANTS should have their names on the Secret Service mailing list, and receive these notices promptly. There is no charge—simply send your name and address to the Secret Service office nearest you. See inside back cover for addresses of United States Secret Service offices.

Be sure one of these notices is posted on
or near your cash register!

19

KNOW YOUR MONEY



SOCIETY SERVICE AGENT WARNING STREET VENDOR
OF COUNTERFEIT MONEY

Counterfeit Index

THE Secret Service is now contemplating issuing an index of every counterfeit note circulated since the small-size currency was first manufactured in 1929. This index would be distributed to banks and other financial institutions for their convenience and protection. Diagrams of the notes will be printed on small index cards with the check-letter and face-place number in heavy type in the upper right-hand corner to facilitate filing. The various denominations are to be printed on cards of assorted colors to simplify classification. It is believed that the circulation of such an index would meet a long-felt need. It is to be kept up to date whenever new counterfeit notes appear.

—Chief WILSON.

made the old-school and long-dead secrecy spirits of the Service squirm in their tombs. Streamlining was in order. The picture was made by our own agents with the assistance of the Washington police. As most of you know, it clearly illustrates how to detect counterfeits, and graphically depicts some of the methods employed by counterfeit passers.

Our most optimistic expectations as to the reception this picture would receive have been far exceeded. Since the first of this year, the film has had 9,500 showings to an audience of 4,200,000 persons. It has been a four-star hit in the best motion picture parlance. A special effort has been made to reach students in this campaign, as I firmly believe in educating the young to assist us in preventing this crime against our Government. More than 2,500,000 school children have seen this motion picture and their interest and alertness have helped us catch more than one criminal.

Late this Summer the Secret Service published a *Know Your Money* booklet. This 32-page work was prepared in a highly interesting style illustrated profusely with photographic enlargements and diagrams of good and bad money. We distributed more than 100,000 copies of this booklet to civic officials and high schools, and practically every public library in the country now has a copy on its shelves. The Government Printing Office is offering copies in any number at a nominal fee. The valuable information it contains is creating a lively demand.

Aside from these measures, millions of match booklets bearing a warning to be careful in handling money have been distributed throughout the country. This distribution has been financed by various companies, to our mutual advantage. Advertisers have heartily cooperated in placing Secret Service notices on the back of their counter advertisements to be watched by the man behind the cash register. Millions of such notices have been placed in stores, restaurants and other business places.

The association between the Secret Service and the American bankers has been mutually beneficial. Recently an old-time banker dropped into our Washington

offices and expressed his appreciation for the help we had given him. He pointed out that in these highly competitive times the treatment of the customer is of paramount importance. In years past he always dreaded the moment when he was forced to tell some small storekeeper that his deposit included one or more counterfeit bills. In the old days, he said, such an incident would raise a real rumpus. The customer could not be convinced that the note was not genuine. A register of counterfeit note descriptions issued by some private concern meant nothing to him. He thought he should be allowed to pass the note on to somebody else and vehemently resisted taking any loss. After the hurdles had been surmounted, if they still retained the depositor as a customer, he would ask how he could detect a counterfeit in the future. That was a tough question back in the old days. The Secret Service personnel was then so small and so overworked that information about counterfeits was difficult to obtain. The old standard tests of trying to rub the ink off of counterfeits or searching for the hidden figures in the bushes on the back of a bill were thoroughly believed. It was next to impossible to convince a customer that those tests were worthless. Our banker friend said that the educational campaign had changed all that and he expressed his thanks to the Secretary of the Treasury, Henry Morgenthau, Jr., and to the Secret Service for inaugurating this campaign. He says that now his customers can tell him more about money than he can tell them.

The Treasury Department is highly appreciative of the splendid spirit of cooperation it has found among banks, police, the press and radio, educators and other civic authorities throughout the country. As Chief of the Secret Service, I wish to express my sincere thanks and deep gratitude for their assistance in helping us to suppress this crime. It would be impossible for us to function successfully without the aid of these public-spirited friends of the United States Secret Service.

Counterfeit Quiz

To test your knowledge about counterfeits, see if you can answer the following eight questions. If not, turn to page 59 for the correct answers.

1. What is the best way to detect counterfeit notes?
2. People who handle lots of money, such as cashiers, have not the time to compare each bill they receive. What should they do?
3. Why does the Secret Service emphasize comparison of the portraits so much in its educational campaign?
4. Is it true that a counterfeit \$5 bill can be detected by a lack of those hidden numbers in the bushes to the left of the picture of the Lincoln Memorial on the reverse side of the bill?
5. Can a counterfeit note be detected by rubbing it on a piece of paper?
6. Does the Secret Service pay rewards for information furnished to it relative to counterfeiting activities?
7. About how much counterfeit money is placed in circulation each year?
8. If I receive a counterfeit bill innocently and pass it, am I subject to prosecution?

Counterfeiting is a subject of perpetual public interest. Your depositors, also, may be interested in the answers to these questions.

Risks in Consumer Credit

R. W. PITMAN

The author is president of the Morris Plan Bank of Philadelphia. The book he discusses is another in a series of consumer credit studies conducted by the National Bureau of Economic Research under grants from the Association of Reserve City Bankers and the Rockefeller Foundation. OTTO C. LORENZ, in October BANKING, reviewed "The Volume of Consumer Instalment Credit".

RISK Elements in Consumer Credit Financing, by David Durand of the National Bureau of Economic Research, is a painstaking, careful study of lending policies in the consumer credit business. Because people are human it has thus far been impossible to devise a "slide-rule" which can scale an application for credit and determine within any degree of accuracy the credit worthiness of any particular applicant. This fact however does not minimize the value of such studies as Mr. Durand has made especially when the author, as in this case, fairly recognizes this important fact.

A well operated consumer credit institution does not content itself with limited credit information, as Mr. Durand intimates. Because of mutual agreements and credit associations, credit information on smaller borrowers today is not necessarily limited.

Ability to pay cannot be arrived at by arbitrary classification according to income groups. It must be tempered by a study of each borrower's standard of living. A \$100 loan on a \$300 salary can conceivably result more disastrously than a \$300 loan on a \$100 salary.

ONE important credit angle which Mr. Durand could not survey from the data at hand is the loaning officer's personal impression of the applicant. This point is capitalized in well managed banks by having each loaning officer pass upon his own credits. It is regretted that his study did not permit scrutiny of rejected applications or at least the percentage of rejections.

The book raises but leaves unanswered the question of the extent a lender can afford to relax credit requirements. There have always been extremes in credit extension, with the advantage, as a rule, to the liberal extension of credit, within reason. Mr. Durand is fair and cautious in his treatment of this point.

In comparing consumer lending to commercial lending, the author comments on the fact that in the former rarely is the borrower required to submit a detailed financial statement while in the latter it invariably is required. Viewed through a commercial lender's eyes, a great number of consumer borrowers *owe* more than they *own*; therefore, their financial statement, if submitted, would indicate insolvency unless one were to capitalize character and earning power.

One quotation in particular indicates the soundness of Mr. Durand's work. He says, "No less important than stability of income is the borrower's ability to live

within his income, his ability to budget, to save, and to adjust his expenditures to unusual strains." We thoroughly agree with Mr. Durand when he states, "This discussion implies that lack of character is more likely to be a cause of default than lack of income."

In discussing maturities, the author properly warns that short maturities seem safer provided they do not overload the borrower.

He brings out the very important point that losses are often found on loans on which additional security has been asked in a subconscious attempt to bolster a weakness in the debtor, which cannot be strengthened alone by additional security.

An attempt to associate the cash price of articles with credit worthiness brings little if any significant results. We suspect that fairness of value plus satisfactory performance of the article financed would have shown definite trends. Although the study shows that home ownership is evidence of stability, in current times it may well become a liability instead of an asset.

THE ownership of bank accounts was and seems still to be another evidence of soundness. This should apply primarily to savings accounts. With the prevalence of "pay as you go" checking accounts we predict the bank account in general will lose its significance.

The study reaches the surprising conclusion that borrowers in the professions stand high as credit risks. This has not been true in our experience because of the irregularity of their incomes. Occupation as a rule does not seem too important provided the income is regular and provided there are not unusual conditions existing in the particular industry in which the borrower is employed. Mr. Durand finds women are better risks than men. It was disappointing to find little results from the study of loan purposes.

The book does a good job of including direct loans and the purchase of instalment paper in the same study. The two classifications offer two distinct problems in credit granting.

IN his summary, Mr. Durand very properly states that "We believe that the results obtained from experiments with this method are important, but that they will not be of exceptional value to lenders in the problem of risk selection. Under the circumstances ordinarily met in actual credit operations, this method probably has little, if any, advantages over the less systematic methods based on experience and intuition."

His suggestion that differently rated loans demand different loss reserves starts me arguing with him again but all is forgiven when he states, "The sort of study necessary to establish a precise line between profitable and unprofitable transactions would be an extremely ambitious affair."

Hints on Overtime Control

E. S. WOOLLEY

Mr. WOOLLEY is a well known bank analyst who frequently writes for BANKING and conducts, each month, the "Ask BANKING" department.

The steps here suggested may not solve completely the problems raised by the Fair Labor Standards Act, but it will be helpful pending some relief from the law's more oppressive features.

CONTROL of working hours is the principal problem faced by banks in complying with the provisions of the Fair Labor Standards Act, commonly known as the Wages and Hours Law, for there are few, if any, bank employees who do not receive already more than the minimum wage called for in that Act.

It is axiomatic that a bank to be safe must be profitable. For this reason overtime, like all other expenses, must be controlled. The problem, however, is largely one of endeavoring to accomplish the same amount of work in less hours. To do this does not permit of any single solution; there are too many angles to it.

These factors are (1) equalization of the working hours of all employees, (2) elimination of unnecessary operating peaks, (3) the maintenance of an equitable wage policy, (4) elimination of duplications of work and records, (5) establishment of fixed schedules of duties and authorities, (6) setting up of work standards throughout the bank, and, (7) complete management control over all functions. The first three factors are discussed here and the other points will be treated in a subsequent article. First let's consider the equalization of working hours. This means that each employee should work only 40 hours if possible. An aid in accomplishing this would be to stagger hours in accordance with the work needs on different days.

A WEEK does not necessarily have to end on a Saturday night, it can end on any hour of any day. However, once such a fiscal week has been established it must be maintained. In establishing such a workweek it is better to have it start at the beginning of the heaviest period so that the bank may be fully manned during the rush and make adjustments during the slack period. Many bank employees object to punching a time clock although it is difficult to understand the difference between punching a time clock and writing on time sheets. Be that as it may, one or other of the records must be kept.

Hours worked are those in which employees are actually working. Some employees may wish to ignore this, either from a sense of loyalty or because they feel that overtime resulted because of their own errors. Bank officers should not allow this, as it is not permissible no matter what the employees desire, for overtime is overtime under the law.

On the other side of the picture, employees are being paid for actual time worked. The lunch hour, therefore,

should begin when an employee leaves his desk or cage and end on his return to work. To be fair under the Fair Labor Standard Act, employees should sign "out" when their day's work is completed and not stand around visiting for half an hour or so before doing so. While there is no objection to their visiting, they should be careful to sign out first and not require the bank to pay overtime for so doing.

Our second point—the elimination of operating peaks—is also of real importance in the control of working hours. Some of these peaks are caused by depositors, others by the bank itself. The most common of these will be discussed.

THE depositor-created peaks most easily controlled are those occasioned by depositors who bring in a large number of items just before or a short time after closing time. A study of depositor habits and requirements undoubtedly will reveal that a large percentage of the late deposits in each class are made by the same customers. Much of this can be changed by education. This is particularly true in the case of large depositors, who are just as eager as the bank for rapid collection of their items. By explaining to them that in making their deposits earlier it may be possible to save a day in the collection of certain items, they unquestionably would be more than glad to cooperate. After-hour depositors can be informed that such deposits will have to go into the next day's work; that there is a definite "cut-off" time in the transit and clearance department which must be adhered to not only because of the shorter working hours but also so that transmittal letters may be sent out.

PAYROLLS are a depositor-caused peak which present a different problem and one that is more individual to the particular bank and its community. Large payrolls are very desirable to a community and the bank reaps an indirect benefit even if it does not number many of the payees among its depositors. Yet even here a discussion with the industry heads might show some way in which the peak could be reduced. In any event, the augmenting of the regular teller staff by other bank employees to assist in the cashing of payroll checks will relieve much of the pressure.

It might be said that every employee of a bank should in reality occupy three positions. That is, he should know his own duties and those of the position immediately below him and be learning the duties of the one immediately above him. In this way transfers can be made to cope with temporary peaks.

An example of bank-created month-end peaks is found in the common practice of preparing commercial depositors' statements on a calendar month basis, or on some other particular day in the month. Where this method is followed, it is suggested that practically all

STATEMENT OF THE
ACCOUNT OF

Balance per last statement	\$
(date)	
Deposits, per deposit tickets enclosed	
(number)	
herewith	
TOTAL	
Checks and debit tickets enclosed	
(number)	
herewith	
Balance at close of business	\$
(date)	

Please examine vouchers at once, if no errors are reported within ten days the account will be considered correct.

NOTIFY US OF ANY CHANGE IN YOUR ADDRESS.

A time-saving statement form described by Mr. Woolley

the bank's employees be delegated to assist. This has been found to work most satisfactorily after one person familiar with the accounts prepared a schedule showing the duties of each person assisting. As a matter of fact, the preparation of all statements on one day is an unnecessary peak.

STAGGERING statement mailing throughout the month will eliminate this month-end peak. In order to do this most successfully, however, it is necessary that the statements be filed according to the dates on which they are to be mailed rather than alphabetically. One way to do this is to give every account a number, which number is preceded by the statement day. For example, 3-25, 10-25 et cetera. Both the ledgers and the statements are then kept in this order and statements prepared according to the days. This system, of course, calls for the account number to appear on every check and deposit ticket in order that they may be sorted for posting.

The expense incident to this procedure can be saved and yet the same thing accomplished by recognizing that depositors do not need a detailed copy of the ledger sheet. All they need is the opening balance, the number and amount of deposits, the number and amount of debits, and the closing balance. This can just as well be given without preparing the present form of statement. By posting day by day items on the ledger sheet and preparing a short statement form such as shown above, the bank will furnish depositors all they need and, at the same time, dual posting will be eliminated and a tickler of statement dates will be provided.

It will be noted that this form calls for the return to depositors of deposit tickets as well as the checks. Where the bank has photographic equipment there is no reason why deposit tickets cannot be photographed and returned. As a matter of fact banks release much more important bank records than deposit tickets when they

return the checks. The checks constitute the only receipt a bank has authorizing the paying of the money. Furthermore, in the case of dispute and the lack of a photograph, the bank has no means of proving payment of a check except through its own proof sheets, whereas, in the case of deposits it can obtain cooperative evidence, in most instances, from its correspondents.

An adding machine tape will be required of the deposits but not of the checks. The opening and closing balances are picked up from the ledger sheets. By taking the difference between the closing balance and the opening balance, plus deposits, the amount of the debits can be determined. Verify by counting the number of debits and credits on the ledger sheet as well as the items themselves, while checking signatures and preparing the statements. After inserting the names at the beginning of the month, statement forms may be filed by days in a tickler. Nothing further is done with them until the day on which they are to be prepared. Then each day, except Saturdays, Mondays, and days after holidays—which are usually busy days—the statements for two days are prepared and released.

THE method of daily balancing is another frequent cause of overtime. Often the chief reason for this is the practice of balancing by cumulative totals. If nobody made mistakes any method of balancing would be satisfactory because the figures would always "strike" the first time. Unfortunately people do make mistakes.

Balancing each day's work as a unit has the advantage of localizing errors and therefore making their discovery easier. Another advantage is that after the day's work has been balanced, the posting to the general ledger and preparing daily statement is reduced to copy-work and can be done just as well by someone in the lower salaried group, preferably on a machine. In this connection it will aid in posting accurately if accounts are classified and numbered, and also if the accounts in the general and income and expense ledgers follow in the same sequence as called for on the statements.

Maintenance of an equitable compensation policy is always important. Banks sometimes overlook the basic fact that, in reality, they do not pay people—they pay for having work done. Failure to recognize this simple truth has resulted in many discrepancies in salary schedules. It often pays one person who actually may be less efficient, more money than it pays another for doing the same kind of work merely because he has been with the bank longer. Such policies do not make for efficiency.

One way in which such inequalities can be overcome and a definite schedule maintained is through the establishment of a maximum and minimum salary for every position in the bank. Each incumbent of the various positions is then paid somewhere between the particular minimum and maximum in accordance with the efficiency with which the duties are being performed. In so far as practical the maximum for any position should be the minimum for the position immediately above it.

In order to keep the payment of overtime to a minimum all these points, together with those listed as four to seven at the beginning of this article, must receive attention. Limitations of space, however, make it necessary to consider those in a future issue.

A Small Bank's Mortgage Business

How an Experiment in FHA Loans Became a Major Service

HERE is the story of the success one small bank has had in making, selling and servicing FHA-insured mortgages.

Perhaps you don't "go in for" mortgage lending. Perhaps you haven't bothered with the FHA plan. Perhaps you aren't interested in specialization. This article won't attempt to convert you. It is offered only as another demonstration of the formula that you, doubtless, have already worked out in your own bank:

Alert banking service plus good salesmanship equals a profit.

When a trust company with less than \$3,500,000 in deposits puts out \$25,000,000 in mortgage loans during five years and develops a thriving business in the sale and servicing of these investments, the accomplishment would seem to be somewhat out of the ordinary. At least BANKING thought so, and took a couple of hours off to visit Tarrytown, New York, home of the Washington Irving Trust Company, in quest of detailed information on what had been done and how.

Six years ago this bank, in common with thousands of institutions throughout the country, was having investment account problems. Tradition called for putting surplus funds into high-grade securities—bonds, for the most part—which would yield an income and provide the necessary line of defense against contingencies. The bank had no quarrel with the tradition and followed it, experiencing, of course, all the perplexities of investment in a depression.

One day late in 1934—the Federal Housing Act had been passed in August—the investment committee was meeting. Somebody suggested: "Maybe there's something in this new FHA thing for us. Maybe these insured mortgages are really good investments. Let's look into it."

The bank did some looking, with the result that it decided to sell a few bonds, invest the money in the mortgages and see what happened.

The outcome of this experiment is that in five years the trust company has made 5,000 FHA-insured mortgages averaging \$5,000 each. It sells all except those needed for its own portfolio.

"The turnover is rapid," said Dr. Joseph E. Hughes, president of the Washington Irving, and former president of the New York State Bankers Association. "There's a ready market for the mortgages among savings and commercial banks, insurance companies. Today we are selling to about 150 customers in a dozen states. We maintain our own sales organization, employing two men full time, on a commission basis."

Going back to the bank's early experience: After it had decided to try its little experiment, it soon acquired enough mortgages to absorb the funds earmarked for the new investment and was wondering whether to ex-

tend its commitments. An investment broker settled the question when he suggested that the trust company sell its insured mortgages at something over cost, but service them to the purchasers at the prescribed fee of one-half of one per cent.

"We thought that one over carefully," Dr. Hughes continued, "and did some close calculating. Finally we concluded that, given enough volume of this business—say \$3,000,000 at the end of the first year—we could set up a special department to make, sell and service FHA-insured mortgages.

"We went ahead on that basis. Today 25 people are working in this department of the bank; we had to put an addition on the building to provide space for them."

All the mortgages are obtained through brokers, 75 per cent of the business being handled by one firm in a Long Island community 25 or 30 miles from Tarrytown. The rest is mostly in the bank's own county, Westchester.

"It's natural to ask," said Dr. Hughes, "why we use the broker method and why we go so far from home for the bulk of our lending.

"The answer to the first query is that we tried scouting for loans ourselves, but found it much easier to do business through the broker. We did considerable advertising at first, locally and in New York City newspapers, and got many applications. The trouble was, most of them represented unbankable loans; we had to say 'no' too many times. So we got a broker.

"We picked our man because his section—Jamaica—was expanding. In other words we went where the business was. Perhaps I should say 'is', for we're still going strong over there on Long Island.

"The broker, wherever he may be located, is in effect your money salesman. He's in touch with the mortgage money market and with what's going on in building. We believe that the best results can be obtained by using him."

THE trust company has a detailed system covering every step in its business of creating, selling and servicing insured mortgages. Working in close cooperation with the FHA, the bank checks each builder's application, each prospective buyer's credit statement. Sites are carefully inspected for neighborhood trends, accessibility to transportation, etc. Plans for buildings are gone over meticulously by bank officers with the assistance of the bank's architect; together they figure the probable construction cost and study the material specifications to be sure that approved products are called for.

Periodic inspections of construction work are made by the bank, independent of the FHA checkups, and interim payments are contingent upon approval of the job as it goes along.

The system developed by the Washington Irving

PAYMENTS DUE FROM MORTGAGOR MONTHLY				CREDIT FOR TAXES AND INSURANCE		
TOTAL	PRINCIPAL AND INTEREST	SERVICE CHARGES	CREDIT FOR TAXES AND INSURANCE	TAXES	P. H. A. INS.	PIRE INS.

ACCOUNT NO.

F. H. A. NO.

TOTAL MORTGAGE \$

WASHINGTON IRVING TRUST COMPANY
TARRYTOWN, N. Y.

DATE PAYMENT RECEIVED	PAYMENT NO.	ACCOUNT NO.	PAYMENTS RECEIVED MONTHLY FOR				CREDIT BALANCE FOR PAYMENT OF				
			DEBITS	TAXES AND INS. PAID	TOTAL	PRINCIPAL AND INTEREST	SERVICE CHARGES	CREDIT FOR TAXES AND INS.	TAXES	P. H. A. INSURANCE	PIRE INSURANCE

A special machine posts a payment on the above statement in 30 seconds

Trust Company provides a double check on all operations. Several of the forms used originated in the department, the result of experience obtained through the trial and error method which a new form of banking service necessitated. Responsible to both mortgagor and mortgagee, the bank takes all possible precautions against error.

READERS who like to watch the wheels go 'round may be interested in technical details of the various procedures followed.

When a mortgage application is filed a card is filled out at the bank with the name and address of the mortgagor, the mortgage amount, the bank's number, and the application date. The application then goes to the FHA. When the commitment is returned, the date is marked in the proper column of the card, the title policy is ordered and the loan is closed.

That day a tickler is made up and the several items of information needed are put on it, the date of the first payment being marked with an X. The tickler is then filed under the next month.

The insurance record is next set up on its own card. The policy goes to a clerk who makes the necessary entries on the card and checks the policy which then goes to another clerk who checks the work done by the first employee. The card is filed under the maturity date of the policy and the policy goes to a third clerk who enters it in a bound book under the maturity date.

The tax card is large, providing space for all properties on which taxes come due at the same time. In the upper right hand corner the due dates of the various tax items are marked. When the bill is received the section, lot and block are checked on the card, and later, when the tax has been verified against the mortgagor's account to see if sufficient funds are available, this card is marked paid in a space provided.

When a loan is closed a legal description of the property is forwarded to the bank's tax searchers who search the property, obtain all the tax bills and once a year take all the assessment cards and enter the new assessments. Semiannually they check the actual tax records to verify application of the taxes by the tax office to the right property.

The statement, of course, is an important record. A special machine posts a payment in 30 seconds on this

sheet which bears a dozen different captions, including taxes and insurance paid, principal and interest payments, service charges, credit for taxes and insurance, FHA insurance, etc. After each 12 month period the statement is analyzed and the original is sent to the mortgagor. At the same time he gets a check for any overage or a bill for any shortage in the account. One carbon copy of the statement is sent to the purchaser of the mortgage; a third copy is kept in the files.

When the mortgagor's loan is closed, he receives a coupon book. These have been made up in sets of 20-year periods, one year for each book.

As the various papers necessary for the mortgage are received they are entered with the date on the first card referred to. When all the papers are at hand the mortgage is shipped to the buyer, accompanied by a servicing contract which the purchaser executes and returns.

WHEN the buyer's payment is received an address plate is printed for him. Before the first of each month slips covering payments due the owner are run through the addressing machine. As payments are received on the first of each month, accompanied by the stub from the coupon book, the tickler for that payment is pulled out, together with the original and a duplicate of the owner's slip, and the bank then posts them in blocks.

The sales slips are then sorted according to owners, run up and proved to the total principal and interest for that block. One copy is filed with the day's work, the other is posted in total to the owner's account and filed in an envelop for him. About the 18th of the month the contents of each envelope is totaled and proved against the credit to the owner's account, and also to the sales book that lists the name of the mortgagor and the principal amount of each mortgage held by one bank.

When the bank closes a mortgage loan it gives the borrower a pocketsize booklet entitled "Important Points About Your FHA Mortgage." In its 12 pages are explained in non-technical terms some of the questions that confuse the person buying a home for the first time.

And so, out of a cautious beginning, has grown a new and profitable business that was quite unforeseen six years ago when the bank took its first FHA-insured mortgages.

JOHN L. COOLEY

Assignment of Claims Act of 1940

What contracts are assignable under the terms of the Act?

ALL contracts providing for the payment of money by the United States in an aggregate sum of \$1,000 or over unless assignment is specifically prohibited by the contract. The Assignment of Claims Act amends Sections 3477 and 3737 of the Revised Statutes by adding the same new paragraph to each of these sections, which paragraph excludes from the operation of these sections the contracts described in the Act. Section 3477 (Title 31, U. S. C., §203) before amendment, provided that all assignments of claims against the United States are null and void unless executed subsequent to the ascertainment of the amount due, allowance of the claim and the issuance of a warrant for payment. Section 3737 (Title 41, U. S. C., §15) before amendment, contained a general prohibition against any assignment of a public contract by the party to whom such contract is given.

To whom may public contracts now be assigned?

ANY BANK, trust company or other financing institution, including any Federal lending agency.

What rights are covered by the assignments?

THE RIGHT to any "moneys due or to become due from the United States" under the terms of the contract. The assignment cannot cover any other rights of the contracting party.

Are there any restrictions on the right to assign public contracts?

IF THE contract was entered into on October 9th or thereafter, and does not contain a prohibition against assignment, there are no restrictions except that the total payments thereunder must aggregate \$1,000 or more. If the contract was entered into prior to October 9th, 1940, the contract may not be assigned without the consent of the head of the governmental department or agency concerned.

May the contract be partially assigned?

NOT UNLESS specifically permitted by the contract. Sub-paragraph designated 3 of the Act specifically provides that "unless expressly permitted by such contract," any assignment shall cover "all amounts payable under such contract and not already paid," and that assignments of the same contract shall not be made "to more than one party."

May there be successive assignments of the same contract?

NOT UNLESS the contract specifically so provides. The Act provides that "unless otherwise expressly permitted by such contract," a contract may not be assigned to more than one person.

May there be joint assignees of the same contract?

NOT UNLESS the contract specifically so provides. The Act provides that the contract shall not be assigned to more than one party, unless specific permission is contained in the contract. However, this section contains a further exception, which permits assignment to be made to one party as agent or trustee for two or more parties participating in the financing.

May the contract be further assigned by the assignee?

NOT UNLESS the contract specifically so provides. Sub-paragraph designated 3 provides that in the absence of provision therefor in the contract, such contract "shall not be subject to further assignment."

What procedure is required to assure validity of assignment as against the government and third parties?

SUB-PARAGRAPH designated 4 of the Act provides that written notice of the assignment and a true copy of the assignment shall be filed with the following:

- A. The General Accounting Office, and
- B. The contracting officer or the head of his department or agency, and
- C. The surety or sureties on the bond or bonds, if any are filed in connection with the contract, and
- D. The disbursing officer if any is designated in the contract to make payment. It is to be noted that payments must always be made by some disbursing officer but unless the disbursing officer to make such payment is designated in the contract, no filing of notice with him is required.

Does the assignment take priority over claims of third parties against the assignor?

YES, WHEN the assignment is made in accordance with the terms of the Act, it shall constitute a valid assignment for all purposes notwithstanding any law to the contrary.

Is the claim of the assignee subject to reduction or set-off for any indebtedness of the assignor to the United States?

THE ACT provides that contracts entered into by the War Department and Navy Department may provide that payments thereunder to the assignee shall not be subject to reduction or set-off for indebtedness arising independently of such contract. In the absence of such provision in the contract, the amounts payable thereunder to the assignee are subject to such set-offs.

Is the claim of the assignee subject to Federal tax liens?

YES, UNLESS the contract contains the provision referred to in the answer to the preceding question.

Where To Find Technical Help



Delicate weights in the Bureau of Standards, one of the agencies that can help banks and industry help defense



"OURS may not be the most spectacular form of public service," says P. D. Houston, President of the American Bankers Association; "we don't make guns or armor plate or planes or battleships, and most of us don't drill or fly. But we stand ready, with the resources and credit required to support the men who, with their hands and machines, do these vital things."

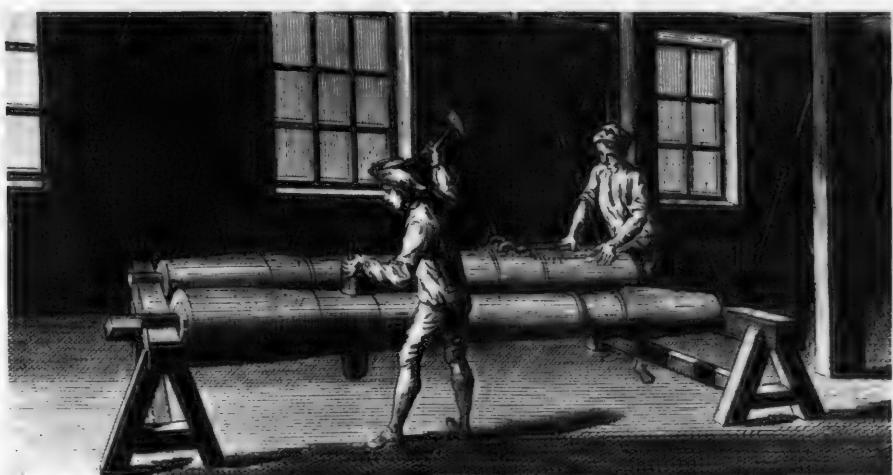
"In serving, let us remember that we also have a heavy burden of responsibility in seeing to it that the defense expansion is healthy, as far as lies in our power."

The part bankers may play in the defense program is not limited to credit extension. One important way bankers can be of service is in helping their customers secure answers to technical problems. A few years ago Bert H. White of the Liberty National Bank of Buffalo conceived this idea, and as a result there developed the Research Advisory Service, whose clientele today includes approximately 14 large banks.

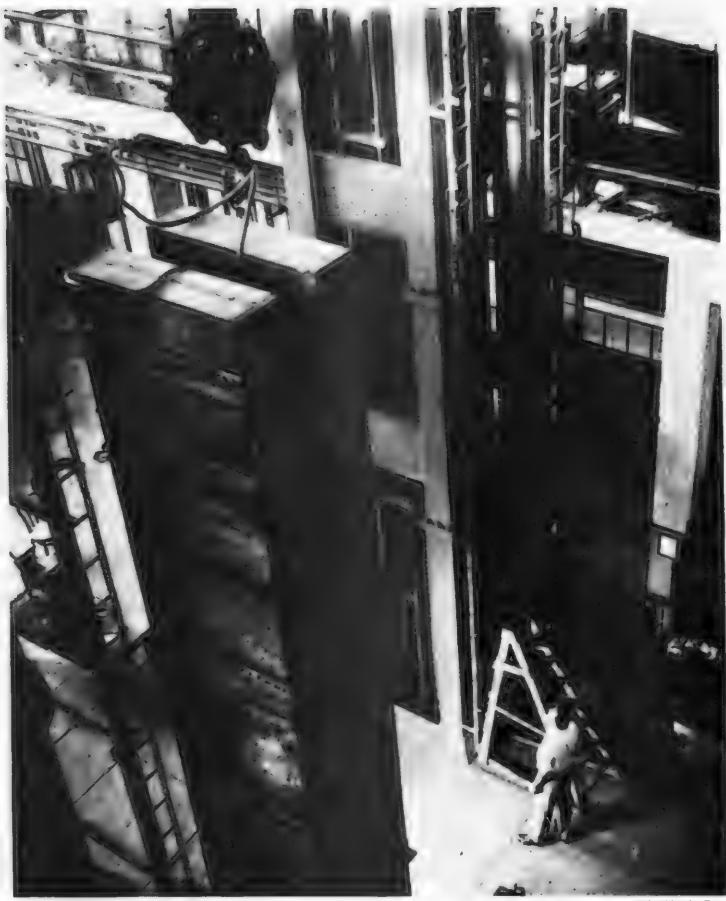
Not every bank can afford to subscribe to such a service. The point is that technical information is needed by industry, and if a bank can help its customers get reliable information, it will be performing a very useful service. (See "Mobilizing Money", page 15.)

Much technical aid may be obtained from the Government. Ac-

Left, outdoor tests on a Bureau of Standards rooftop

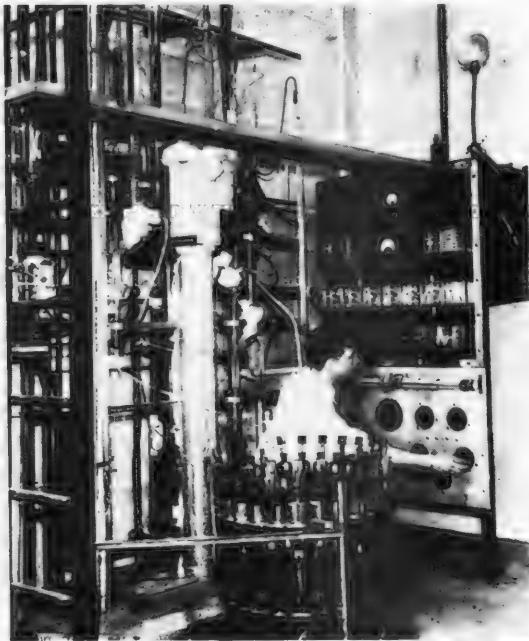


A cannon foundry in the days when armament manufacture was less a business for the scientist than it is today



DE PALMA-FPG

Aviation fuel tests (Bureau of Standards)



HARRIS & EWING

cording to *Research—A National Resource*, a book published in 1938 by the National Resources Committee, the Federal Government spends about \$1 per capita on research. The Government's regular research activities are mainly in the fields of the natural sciences and their application. The work of such agencies as the Bureau of Chemistry and Soils in the Department of Agriculture, the National Advisory Committee for Aeronautics, and the Bureau of the Census consists almost entirely of research. Some 125 Federal bureaus and independent agencies engage in some form of scientific research.

When technical problems come up in connection with defense contracts, government advice may be obtained most quickly by applying to the nearest procurement officer of the Army or Navy, as the case may be. Any problem the procurement officer cannot answer he will forward to Washington. There numerous experts are available in the various Government departments and in the NDAC, a list of whose consultants is an impressive "who's who" of industry and science.

The Navy Department maintains 26 purchasing agencies in the field at the various navy yards, naval air

Heavy machinery in the Bureau for testing girders, cement walls, etc.

Plastics tested for airplane windows

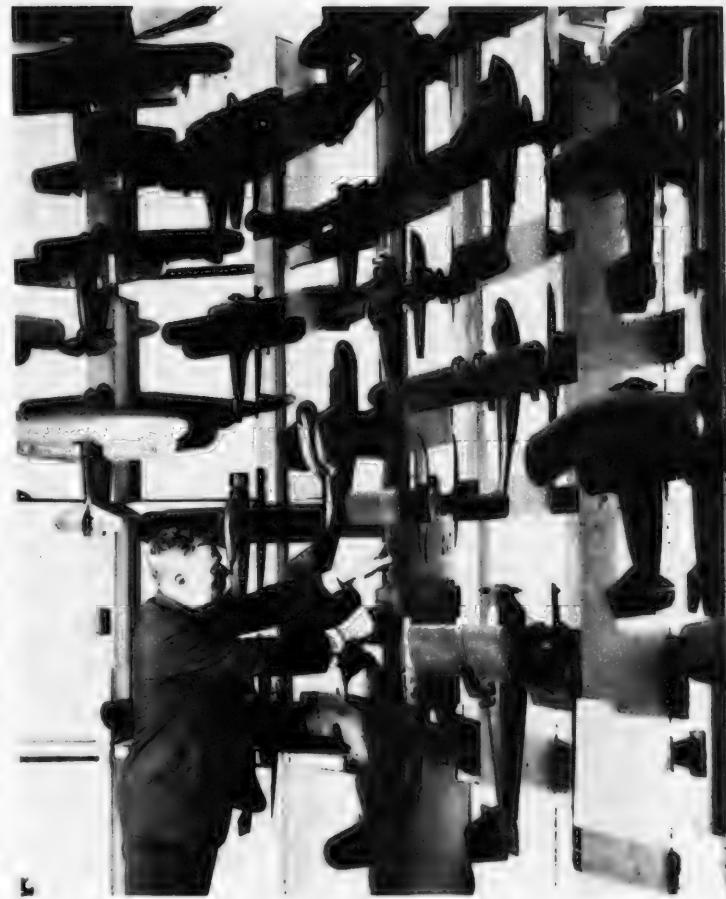


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BANKING

stations, bases, etc. The full list is given in its booklet, *Selling to the Navy*, which is obtainable from the Department's Bureau of Supplies and Accounts. The Army's field procurement planning and purchasing agencies are listed in *Army Purchase Information Bulletin 1940*, obtainable from the office of the Assistant Secretary of War.

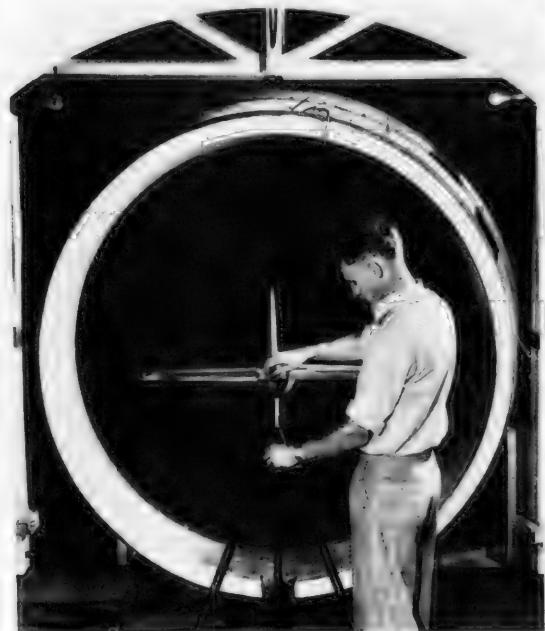
For technical help on problems involving the production and processing of minerals, the Bureau of Mines' experts at Washington and in its several experimental stations throughout the country are available for consultation. The Geological Survey of the Interior Department is glad to cooperate in the solution of private problems related to the location and extent of mineral deposits and water supply. The Department's Bituminous Coal Division has a staff of coal and traffic experts. Its Petroleum Conservation Division has experts on refining problems.

The Bureau of Standards of the Commerce Department is constantly making experiments and tests of direct value to business, and the results of its past studies are all available without charge. If an inquiry necessitates a fresh investigation, however, the cost has to be borne by



Airplane test models, Navy testing basin, Carderock, Md.

One of the Navy's wind tunnels



Testing tires at the Bureau of Standards



HARRIS & EWING PHOTOS

the inquirer. The Bureau's "research associate plan" enables outside groups to maintain their own technicians right in the laboratories and shops of the Bureau, under its supervision and regular procedure. The results of such cooperative work are made public.

The National Defense Research Commission was set up in Washington by the Council of National Defense in June 1940 to correlate and support scientific research on mechanisms and devices of warfare, except those of problems of flight.

An official function of the National Advisory Committee for Aeronautics, itself a research body, is to advise the aviation industry as to the latest research information. In the fields of shipbuilding and shipping the United States Maritime Commission's technical division is always available for consultation.

Help on problems of power supply in connection with the national defense program may be had from the Federal Power Commission.

In the Agriculture Department is the Bureau of Agricultural Chemistry and Engineering, a research organization engaged in investigations and experiments in chemistry, physics, engineering, and other sciences with the object of improving agriculture and developing industrial uses for agricultural products. It has four regional laboratories. The Department's separate bureaus on animal industry, dairy industry and plant industry all perform research in their respective fields.

The National Inventor's Council in the Commerce Department was formed in 1940 to provide a channel for bringing to the attention of the

Army and Navy inventions of possible value in the national defense. It thus provides the defense branches of the Government with a clearing-house of undeveloped civilian technical resources.

Help on technical problems arising in the construction of private roads is best obtained from the state highway department.

HERBERT M. BRATTER

A research observer at a Bureau of Standards wind tunnel. Not only airplane models but even models of buildings are subjected to wind tests



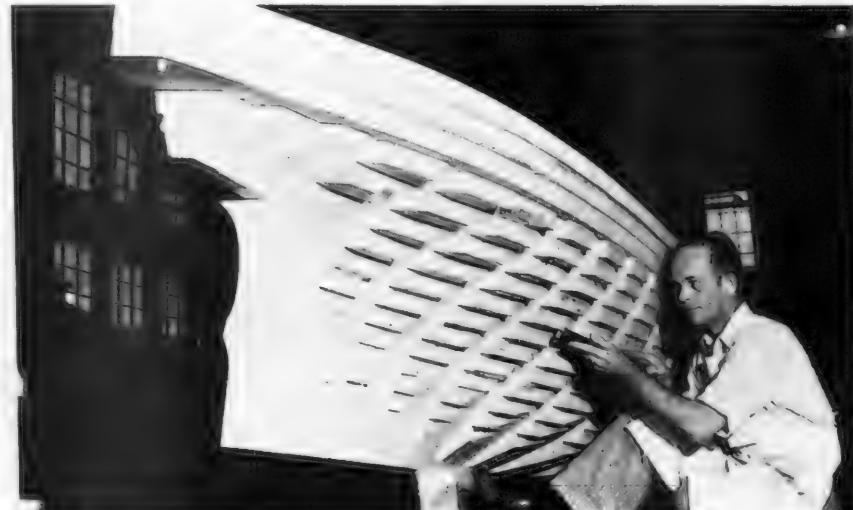
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Above and right, ship models used at the Navy testing Basin, where miniatures are run through water for 13,000 feet at sufficient speed to show engineers how the full-sized ship will act if built. Note the submarine model in the top row near the right

Right, a carpenter at work on one of the ship models to be used by the Navy at its testing basin



HARRIS & EWING
BANKING

Betting on the Future



Above, a compound interest scale

Below, Charles M. de Forest, the Society's executive vice-president, with the "Cemetery of Cats and Dogs" collection of worthless stock certificates



Below, a landscape painting—"The Savings Road to Financial Independence"



THE American Provident Society of New York, an organization whose purpose is teaching thrift and economics to the man on the street, sponsors an impressive thrift education exhibit. This exhibit is designed to inculcate the principles of thrift to that part of the public "insensible to instruction by usual methods". The Society's chief contribution to economic education is the system of specific guidance, centered on tables of reserves for earning, saving and spending. The person who does not have the reserve requisite to his age is taught to build it up, not to spend needlessly and not to speculate before he has a surplus to risk.

* * *

The illustrations on this page show a few of the features of the exhibit, which include, also, personal consultation on thrift problems, illustrated lectures to which the public is invited, instruction through photographs, paintings, panels, charts, and animated three-dimensional displays. After the exhibit is routed through New York City, it is planned to send it to Boston and Philadelphia and eventually to many other large cities.

Below, a table showing how much reserve one should have at a particular age

"HOW OLD AM I FINANCIALLY?"
RESERVE SCHEDULES

AGE	MINIMUM RESERVES	MIDDLING RESERVES	MASTER RESERVES
18	\$ 60	\$ 100	\$ 200
19	109	200	376
20	185	323	607
22	393	671	1280
24	668	1135	2119
26	922	1579	2915
28	1180	1980	3640
30	1460	2482	4526
32	1842	3116	5993
34	2302	3859	6890
36	2829	4707	8438
38	3404	5649	10,227
40	4043	6714	12,281
42	4747	7909	14,670
44	5530	9234	17,956
46	6426	10,669	20,369
48	7452	12,329	23,929
50	8580	14,184	27,715
52	9801	16,237	32,037
54	11,123	18,482	36,895
56	12,578	20,910	42,415
58	14,200	23,648	48,536
60	15,960	26,610	55,318
62	17,855	29,795	62,760
65	21,000	35,000	75,000

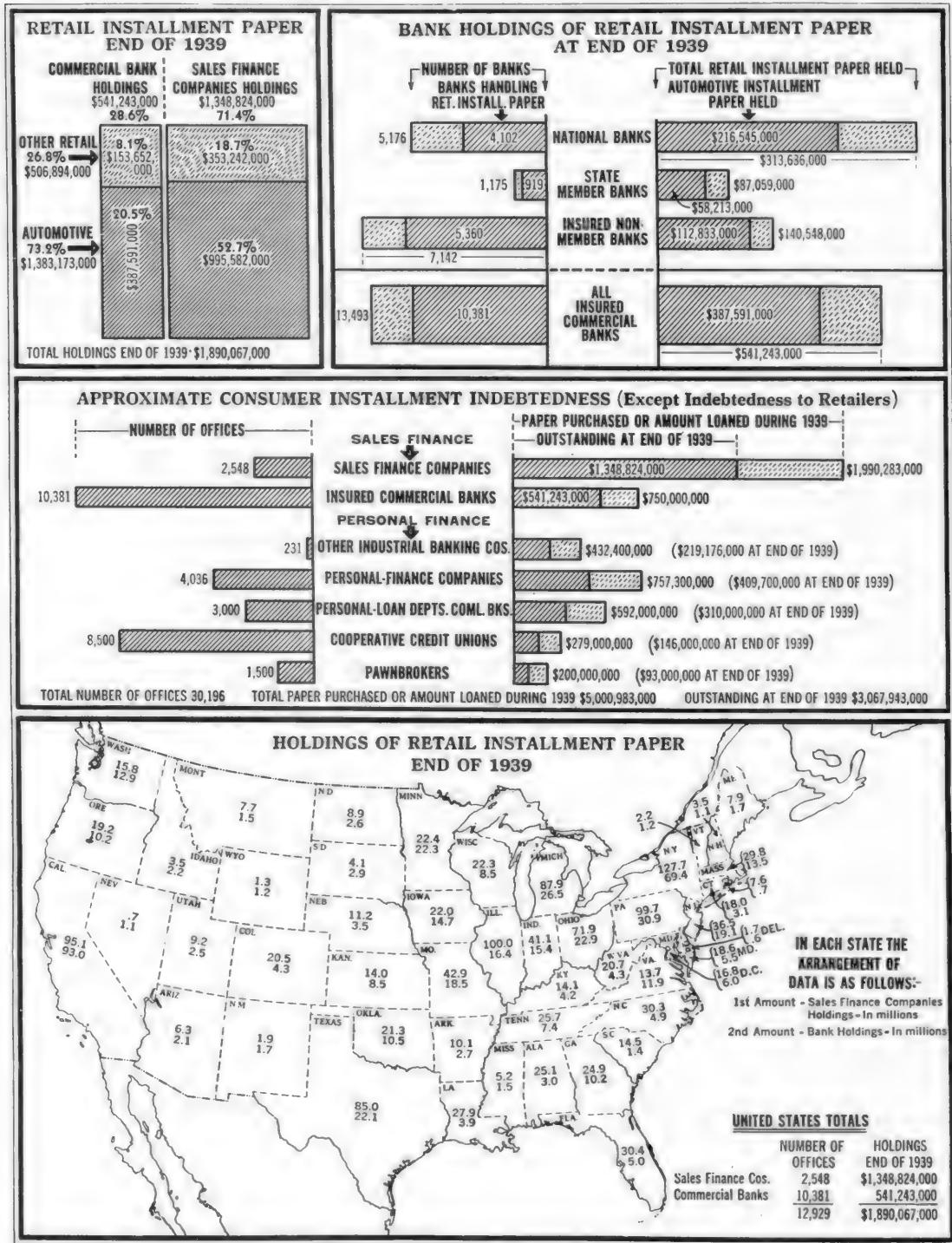
The Minimum Reserve schedule gives the least amount for financial independence in old age. The Middling is for persons whose earnings will reach \$60 per week at the peak of their earning power. The Master is for those capable of reaching \$6000 per year.

© American Provident Society

Consumer Credit Census

THE DATA in these charts and the map are taken from a Bureau of the Census report, *Sales-Finance Companies and*

Banks' Holdings of Retail Installment Paper. Aiding were the Federal Reserve, Comptroller and FDIC.



RECORDAK CAN REDUCE YOUR 1941 OPERATING BUDGET

PROVIDING picture-perfect records at lightning speed, Recordak has reduced operating budgets in thousands of banks... in important departments... by substantial amounts—

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- 40% in machine equipment
- up to 98% in storage space

Recordak machines are rented, not sold—so you face no capital outlay, no contracts to sign. Recordak Systems, installed by bank-trained representatives, are skillfully geared to meet your individual requirements.

For further information regarding Recordak Systems, write Recordak Corporation, Subsidiary of Eastman Kodak Company, 350 Madison Avenue, New York, N. Y.



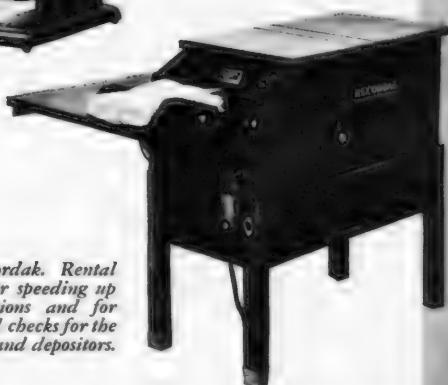
Commercial Recordak. Rental \$30 per month. For photographing all bank forms. Widely used for the Recordak System of Single Posting and other special applications.



Bank Model Recordak. Rental \$25 per month. For speeding up the transit operations and for photographing paid checks for the protection of banks and depositors.



Recordak Junior. Rental \$12.50 per month. For smaller banks, and special departments of large banks (tellers' cages, safe deposit vaults, trust and filing departments, etc.).



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In banks all over the country, bank executives today rely on the Mimeograph duplicator for better solutions to common bank problems.

Here are some typical jobs these modern business machines do to pay their way:

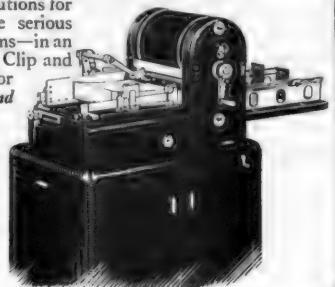
Save money without reducing efficiency, because they produce so many essential bank forms, records, and reports at substantial savings.

Earn money by helping increase sale of safety deposit boxes and other banking services that must be sold to the public. Attractive promotional materials are both easy and inexpensive to produce with the Mimeograph duplicator.

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easier, contribute to superior performance records by supplying copies of daily operating report of every department to every executive. And confidential material need not leave the bank premises if it's produced this efficient, economical way.

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Simplified Forms

Agricultural Credit

IN his thesis submitted at The Graduate School of Banking, K. J. McDonald, president, Iowa Trust and Savings Bank of Estherville, presented in detail the forms originated and employed by his bank in recording credit information on the bank's farm customers. Located in an area where corn, hogs, beef cattle and small grains are the principal products, Mr. McDonald is acutely aware of his bank's dependence upon agriculture as the primary source of credit expansion. Since 1934 he has been developing a set of *analytical credit records* that would provide information on the agricultural trends, problems, and credit responsibilities of the farm population in his territory. In his Graduate School thesis Mr. McDonald points out that the records reveal "agricultural history in the making" as well as a forecast of possible future difficulties for those individual farm customers whose managerial mistakes are being reflected in the bank's analyses of their operations.

On the bank's financial statement, Mr. McDonald's attitude toward his farm borrowers is set forth in part as follows:

"We do not pretend to know as much about farming as you do, but banking, financing and analyzing financial statements is our business. This is a part of the banking services you are privileged and encouraged to use. The success of our farmer customers will reflect in the success of this bank."

The undersigned makes application for New or for renewal loan for \$ 950.00

from Iowa Trust & Savings Bank of Estherville, Iowa, and represents:

Due: August 16, 1936

Purpose: Purchase of Equipment, etc. at Shirley sale

Security offered Yes

Insurance thereon: No

Will wife sign? Yes

How will loan be repaid? Sale of hogs and grain

Occupation of applicant: Farmer

Where: 4 miles east and 1 mile south

Now owes here: \$ No

Has here: Checking account No ; CD ; Savings account

Date of last statement:

Any changes in statement and financial condition since that time?

Dated: November 28, 1935

Address:

Russell Newstadt

Do not fill in below

Application to:

Loan approved by MCD for \$ 950. due August 16, 1936 rate 7 %

Conditions: C/M on pp.

Settlement by:

The application form, above, contains only the necessary amount of salient information

Below, an alphabetically filed card for prospective and borrowing farm clients. A yellow card is used for general information and field inspection notations. A red card denotes a poor credit risk and reasons for such designation

NEWSTADT, RUSSELL

E.

Married Martha Shirley, daughter of Henry Shirley, in 1936. Farm the Cretin farm, Henry Shirley moving to town March 1, 1937. On the Shirley sale Newstadt will buy quite a few things and Shirley will carry him for those purchases. Agreed 11-28-36 to finance with, of course, either Shirley or Earl Hanley on note with him in which case we would also take security on property purchased with money loaned; or security on property purchased plus security on property taken over from Shirley, this, assuming that property taken over from Shirley would be of a substantial amount.

10-17-39

Farms half section owned by Mrs. W. A. Cretin of E. Newstadt purchased a bull in 1937 and now has 4 one year old heifers and 3 calves in addition to 7 cows, all in good condition. Has total of 61 pigs of which 31 are fall pigs and 30 are spring pigs. These pigs have recently had a cold and are just recovering and look fairly good although not fine. According to present estimates N. believes that they will have about 3,600 bu. of corn of which he receives half. He feels that he will probably be able to seal about 1,000 bu. The yard and grounds look good and the buildings are in good shape. DTL.



Left, corner of the bank's library, where are located agricultural and business publications and current bulletins of interest to the bank's farm customers. Note the large wall charts on the right, which set forth in picture form the various types and grades of livestock

Below, the "adjusted net worth comparative statement" used in conjunction with a stabilized valuation for all livestock. These valuations, on the index number principal are based upon a 5-year analysis of local sales. From them are derived the physical inventory valuations, and in turn an asset figure and "adjusted net worth". Each statement covers a 10-year period

NAME Russell Newstadt

BASIS	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944
Net worth shown		2022	3508	3344	5174	4779				
Cows	50		150	250	250	350	300			
2Yr Heifers	40				80					
1Yr Heifers	25		25	25		100	150			
Steers	30		60	25						
Calves	12 1/2		12	50	50	37	50			
Bulls	50		50	50	50	50	50			
On Feed	50						650			
Sheep	7 1/2		82	67						
Pigs	2			24	40	122	84			
Sows	20		260	380	160		280			
Ewes & Bucks	8									
Lambs	2									
Horses	75		225	375	300	300	300			
Colts	35									
Mules	75									
TOT VAL LVSTK		864	1246	930	959	1864				
Other Cur Assets							100			
Feed		635	1020	614	2050	990				
Machinery		1770	1605	1785	2245	2460				
Real Estate										
TOTAL ASSETS		3269	3871	3329	5254	5414				
Total Liabilities		1460	892	450	1065	716				
ADJUSTED NET WORTH		1809	2979	2879	4189	4698				

Below.—Each year from all of the individual farmers' "5-year comparative record cards" the bank draws the information for the "annual cumulative record form." The farm population is divided as between tenant and owner-operated farms and a picture of the "bank's average tenant and owner-operated farm borrowers" is obtained

Secured or Open	NAME	1939 STATEMENTS TENANT FARMERS	NET WORTH	
			1935	1936
			ANNUAL POULTRY INCOME	1936
			MONTHLY STREAM CHECK	1937
			GOVERNMENT PAYMENT	
			CASH RENT	
			SHARE OR CASH	
			ACRES FARMED	
			NET WORTH	
			TOTAL LIABILITIES	
			REAL ESTATE LIABILITIES	
			CURRENT LIABILITIES	
			TOTAL ASSETS	
			REAL ESTATE MACHINERY	
			VALUATION HORSES	
			FEED CURRENT ASSETS	
			ONE US COLTS	
			COLTS HORSES	
			DAIRY FOR SALE CORN FOR SALE	
			LAUNES STEERS & BUCKS	
			POTS SHOATS ON FEED	
			BULLS CALVES STEERS	
			1 YR HEIFERS 2 YR HEIFERS COTS	

Your Taxes



TAXATION OF RECOVERIES AS INCOME

DONALD HORNE

Mr. HORNE is a member of the New York Bar and has been a specialist in tax law for many years.

EVERY bank is adversely affected by a recent reversal, by the Internal Revenue Bureau, of the former fair and salutary rule that a recovery of an account written off and deducted as worthless in a previous year is not taxable as income where the deduction did not reduce the income tax of the year of deduction.

The new rule will affect banks more than other tax payers, although it applies equally to all, because of the conservative policy of banks in valuing their assets. Banks write down or write off, voluntarily or because it is required by bank examiners, accounts which are less likely to be irretrievably lost than accounts deducted as worthless by other classes of tax payers, to prevent even a suspicion of unsoundness from gaining a foothold. Consequently, banks have a larger proportion of recoveries than other tax payers.

A considerable number of banks have received notices of deficiencies under the new rule, and several of them are contesting or preparing to contest them in the Board of Tax Appeals or the Courts.

General Counsel's Memorandum No. 22,163

The reversal referred to was promulgated in July of this year as General Counsel's Memorandum No. 22,163, which reversed the position previously announced in General Counsel's Memoranda No. 18,525 (1937) and No. 20,854 (1939). Until G.C.M. 22,163, the rule was that a recovery of a debt deducted as worthless should be reported as taxable income only if the deduction benefited the taxpayer by reducing its income tax.

The practical effect of the new ruling is to levy a tax on the receipt, by a bank, of money previously laid out by it as a loan to a customer. When a loan is made, the asset in the hands of the bank undergoes a change in form only. When repayment is made, the bank's asset is reconverted to its original form. It never ceased to be an asset. The receipt of payment, therefore, is not a receipt of gain, or income.

Theory of the New Ruling

The transmutation of this capital asset into the semblance of income is accomplished, according to the argument supporting G.C.M. 22,163, by reasoning that the asset actually became worthless and really was a loss. By reason of the allowance of the deduction, the taxpayer was thought to have started anew, without the asset, and the repayment of the loan was therefore thought to constitute gain, taxable as income.

But the fact that a credit apparently becomes uncollectible, and therefore loses all present market value, does not terminate the relation between the debtor and the creditor or split their transaction into two independent transactions, hence does not provide a new starting point for the accrual of income.

The theory that the claim and allowance of a deduction for a bad debt divides the transaction into two parts, the one culminating with the allowance of the deduction, and the other starting at zero at the time of such allowance and culminating with the recovery of the debt, is contrary to fact. In the absence of some change in relation between the debtor and the creditor, there is only one transaction between them under the state laws governing such transactions. The tax law must take conditions as it finds them, not alter them to fit the tax.

Theory of Taxation of Recoveries

The taxation of a recovery, where the previous deduction of loss in value reduced the Government's revenue, is an administrative expedient which does substantial justice, in that the tax for the later year offsets the erroneous tax reduction of the earlier. Injustice can occur only where special circumstances, such as increased rates of tax in the year of recovery, cause the tax on the money to exceed the tax reduction due to the deduction. In such a case, the only adequate remedy is amendment of the return for the earlier year, withdrawing the claim for deduction and thus eliminating any possible ground for taxation of the recovery. The same is obviously true where the deduction in the earlier year accomplished no tax reduction.

Right to Withdraw Claim for Deduction

If such right to amend exists, it should be available in every case where the principle of G.C.M. No. 22,163 threatens additional tax. Is such procedure permissible?

The objections which may be raised to prevent amendment are that subsequent recovery of an account deducted as worthless does not prove that it had value at the time of its deduction, and that allowance of the deduction by the Commissioner constitutes a finding that it was actually worthless at that time.

No Time Limitation

There appears to be no limitation of time on the filing of an amended return to withdraw a deduction which did not reduce tax liability. *The time limitations of the tax statutes expressly apply only to changes in the amount of the tax.* These limitations are restricted to the assessment and collection of deficiencies and the payment of refunds.

How can you

KNOW

WHAT CHECKS YOUR CUSTOMERS WANT?

If you like evidence to prove assertions, this advertisement has been written for you.

The question: How can you know that bank customers have real preference for prime safety and distinguished appearance in their checks?

Our answer: We produce more checks for banks than on direct order from bank depositors. Still, on an average day in the Todd plant, more than 5,000 separate depositors' orders for checks are in process.

The business men who buy these custom-made checks could secure ordinary stock form checks at little or no charge. Yet *they say the safety and appearance of Todd checks are worth the difference. They say it with their own dollars.*

(Should you not take these factors into account the next time you buy checks for your bank?)





The National Prospect



HERBERT M. BRATTER, reporter of the following news from Washington, is a frequent writer for BANKING.

Washington, D. C.

Alphabetical aberrations

TO OUR DICTIONARY of Washington abbreviations we add the following, culled from interdepartmental communications:

CONDP, for Coordinator of National Defense Purchases.

DSBA, for Director of Small Business Activities.

Both are represented by the person of Donald M. Nelson (see article, page 15), who thus heads up the Defense Commission's (NDAC's) labors with reference to small business.

New soldiers' bonus

GRASS DOESN'T GROW where Hollywood's Congressman John M. Costello treads. The day before the draft numbers were drawn in the Departmental Auditorium in Washington, Representative Costello introduced H.R. 10661, "A bill to provide for paying to individuals ordered into active service in, or inducted into, the land or naval forces of the United States during the present emergency the sum of \$60 upon honorable discharge or transfer to inactive duty." The measure was referred to the Committee on Military Affairs. Veterans of Future Wars are advised not to apply for this bonus just yet.

From the Treasury's notebook

DURING THE NEXT FISCAL YEAR "we will have to increase the debt somewhere between 15 and 20 billion dollars," states Mr. Morgenthau. To his November 7 press conference he predicted that the debt limit would have to be increased to from 64 to 69 billions. Whereupon Undersecretary of the Treasury Daniel W. Bell interposed:

In the end, but I shouldn't think in the next two years.

The press-conference notes continue:

H.M., Jr.: In the end? We are here for four years, Dan. I would much rather have the public know the top figure and not have to use it than have them say, "Well, why didn't they tell us?"

Q. 60 to 65 billions? You think that would be the maximum during the four years?

H.M., Jr.: No, sir, until June 30, '42. We have just begun to rearm.

Q. . . . do you expect that that will result in still cheaper money, net to the Treasury?

H.M., Jr.: . . . until we actually offer it and see what we can do with it, no one here is ready to say whether it will or won't.

Q. But you don't expect it to be any more expensive anyway?

H.M., Jr.: It might be.

Q. Will you ask Congress to knock out that partition between 45 and 49?

H.M., Jr.: We might, if we thought they would do it.

Developing Latin America

THE INTER-AMERICAN DEVELOPMENT COMMISSION, one of the newer satellites of Pan Americanism recently

(CONTINUED ON PAGE 48)

Washington crowds are shown below, listening to President Roosevelt upon his return after the elections



ACME
BANKING

3

3 Reasons Why
Home Owners
Are a Poor Mortgage Risk

3. LOW OBSOLESCENCE
2. WILLINGNESS TO PAY
1. ABILITY TO PAY



ABILITY TO PAY

1. High operating and maintenance costs (heating, cooking, refrigeration, water heating, etc.) can upset many an owner's ability to keep up mortgage payments. G-E equipment is efficient, has an outstanding reputation for long life and **low operating costs**.

WILLINGNESS TO PAY

2. Even though financially able, the dissatisfied owner makes a poor mortgage risk. The beauty, convenience, and economy of G-E equipment is a source of satisfaction for years.

LOW OBSOLESCENCE

3. G-E Kitchens, G-E Wiring, G-E Heating Plants meet the highest standards of today — standards that your own observations tell you will be essential tomorrow. Obviously, the inclusion of such equipment today reduces tomorrow's obsolescence.

Why not send in the coupon for some new, interesting, and highly important facts on the relation between quality operating equipment and new mortgages? Some of this material has been prepared by a man in your profession, some comes from our own years of experience in this work.

Mail Today

General Electric Home Bureau,
Dept. B-4012
1285 Boston Ave., Bridgeport, Conn.
Please send me your notes on operating
equipment and its connection with new
mortgages.

Name.....

Address.....

City.....

State.....

GENERAL **ELECTRIC**

The National Prospect—Continued

established in Washington, expects to develop a \$100,000 tapioca mill in Brazil. The financing won't make much of a hole in the Export-Import Bank's \$700,000,000. Another of the Commission's "development" projects involves encouragement of Latin-American handicraft production for the United States' retail market.

The banking year 1939-40

DURING THE FISCAL YEAR 1940 the number of active banks in the United States changed only slightly, declining from 15,146 to 15,017. Total assets increased from \$73,600,000,000 to more than \$80,200,000,000. Total loans increased about \$1,000,000,000 from \$21,516,000,000 to \$22,557,000,000. Investment in United States Government direct and guaranteed obligations also increased by about \$1,000,000,000, according to the Comptroller of the Currency.

Bogus 50-cent pieces

VISITORS to the counterfeit division of the Secret Service may be surprised to learn that counterfeiters are making bogus 50-cent pieces out of silver, rather than lead or other base metal. This is made possible by the low price of the metal. Even though the world price is held at 35 cents an ounce by the Treasury, a genuine silver 50-cent piece contains only about 12½ cents worth of silver, at the so-called world market price.

Government buying

THROUGH OCTOBER 28 the NDAC had cleared contracts totaling \$9,200,000,000. The multiplicity of items and special designs involved in such large scale buying can hardly be appreciated. According to NDAC, there are at present over 30 major branches of government and a large number of field purchasing agencies buying for Government account, while 68 or more branches of Government issue standards and specifications.

Federal specifications are prepared and formulated by a Federal Specifications Executive Committee (a body created by the Director of the Procurement Division of the Treasury) and approved by the Director of Procurement. All branches of government making purchases are required to use Federal specifications where applicable.

There are 70 technical committees of the Federal Specifications Executive Committee, widely representative of all branches of government engaged in specification-making activities.

Minding the money

AN INNOVATION at the Bureau of Engraving and Printing is the addition to the uniformed force of the Secret Service of two women guards assigned to patrol those parts of the Bureau occupied solely by its 3,300 female employees. Heretofore the lack of female guards has made complete safeguarding of all parts of the Bureau difficult.

All that glitters is not good

EXPECTATION PERSISTS that something will be done



INTERNATIONAL

A rush job for housing troops at Ft. Devens, Massachusetts

next year to sterilize most of the \$7,000,000,000 of excess reserves. One way to do it is by increasing reserve requirements. A more direct way would be to stop turning all the world's gold and silver into American money, but no one seems to think such a change in policy likely. Latterly the most plausible argument in defense of bullion buying is that it keeps the wheels of industry turning here. But we now seem to be rapidly nearing the point when all our output will be absorbed by the defense effort and domestic needs. At that point we may well reconsider whether or not to continue to give foreign gold and silver sellers a direct claim on our output.

Nazi anti-freeze measures

THE LIST OF COUNTRIES embraced in the Treasury's efforts to protect the American holdings of governments and nationals of invaded territories keeps growing and ultimately may include all Europe. One of the situation's present peculiarities is that the rules apply to the invaded, but not to the invader. On the list, as examples, are Estonia, Latvia, and Lithuania, but not the USSR; Norway, Rumania, etc., but not Germany.

With the outlook for German-American relations characterized by a falling barometer, Nazi holdings here lately have been reported in process of repatriation. For the purpose, it is said, depreciated Reich securities are bought, thereby exchanging dollar balances for obligations of the Nazi government. In the event the Treasury should ever freeze German assets here, Reich citizens and corporations who will have transferred their holdings in the above manner will be in a favorable position.

At the end of 1939, states the Commerce Department, there were outstanding \$173,000,000 of German and Austrian dollar bonds. Germany's assets in this country included direct investments of \$55,000,000; trusts and estates, \$29,000,000; stocks and bonds, \$16,000,000; and short term holdings, \$10,000,000.

Government price control

TALK OF PRICE CONTROL is heard more and more. Under existing conditions, this is natural.

Such government power of price control as exists is mostly of the indirect variety, but it is as effective over wholesale prices as any powers President Wilson had.

In various special instances like bituminous coal, petroleum and a few agricultural commodities, moreover, the Government possesses special power over prices. Different appropriation bills give it similar powers. There are a host of indirect powers as well. Nearly every government department can influence prices.

For general price control special legislation would be necessary. Much would depend on the circumstances of the moment. As yet there is no demand for such legislation. Few wholesale prices are considered to have got out of line, and business has been "very cooperative" with the National Defense Advisory Commission. Retail prices are giving no cause for concern.

The Government's indirect influence on prices is larger than might be assumed. In many lines the Government is the largest buyer, which fact, on the purely economic grounds of demand and supply, carries much weight. Also, its buying price sets a standard as in the case of tin at present. The Government now may make purchases by negotiated contracts. The system of mandatory priorities and voluntary preference ratings for government work by its very nature tends to create in businessmen an alert respect for the Government's views on price, or any other topic.

Chief indirect price-control instruments being used are: (1) publicity, (2) voluntary cooperation, (3) anti-trust law enforcement. Transportation control, which would also be effective, is still on the shelf.

Caches of cash

AMERICANS are collectively the world's greatest savers, Governor James F. Twyoh of the Federal Home Loan Bank System recently pointed out. In 1920 Americans had \$18 billions in savings institutions. In 1929 savings totalled \$44,000,000,000 and in 1930, when the depression was young, \$46,000,000,000. Now they are in the neighborhood of \$57,000,000,000. It's comforting to know people have so much money in the bank. Maybe if the spirit of risk was stronger, if people were less frightened by uncertainties, some of that money would be harnessed to the nation's productive machinery.

While on this topic of "sock"-ing our savings, we note an increase in money in circulation from \$4,600,000,000 in 1930 to more than \$8,000,000,000 today. Large denomination bills outstanding have gone up about \$1,500,000,000 while coin and bills smaller than the \$50 denomination have increased by about \$2,000,000,000. The increase in popula-

tion cannot account for all the increase in circulation. Undoubtedly there is considerable hoarding. Some of the bills have gone abroad. But most of them are believed to be in safe-deposit boxes in this country. Foreigners may hold considerable amounts here in paper money, "off the record". And, it is believed, some families may be utilizing caches of cash to beat the inheritance and estate taxes.

Why an "average citizen" should regard paper currency as safer than a bank deposit today is hard to understand. But there are the figures. Suppose all this surplus paper money were

returned to the banks. It is all potential reserve material.

Savings and Loan advertising

THE OCTOBER 1940 Federal Home Loan Bank *Review* publishes the results of a survey on radio advertising by savings and loan associations. In 1939 approximately one association out of 5 used the radio, and 10.5 cents out of every advertising dollar was spent on the air.

Private savings

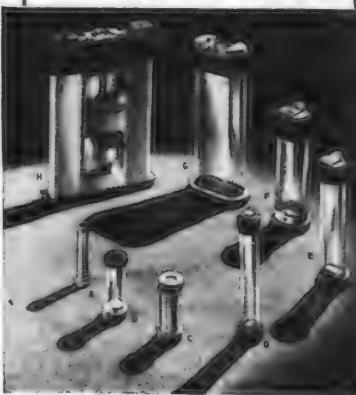
AN INNOVATION of the Home Loan Bank *Review*, issued by the FHLBB, is a



*The First National
Bank of Chicago
invites business on
the basis of facilities
it has developed
in building with
Chicago since 1863*

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Checks, Collateral, or Pass Books . . .



There's a Lamson-Tube Carrier for Every Bank Requirement

Lamson Dispatch Tubes are made in sizes to meet every banking or business requirement. Small $1\frac{1}{2}$ " diameter tubes whisk checks from tellers' cages to the bookkeepers. The 4" x 7" oval carrier is preferred for pass books, while the 3" x 12" carriers will handle stock certificates, bonds, or collateral papers, complete letter files or other bulky papers without folding.

A nearby resident Lamson engineer will be glad to make a survey of your problem without cost to you.

Just write

LAMSON CORPORATION

Syracuse, N. Y.

Pioneer Manufacturers of
Pneumatic Tube Systems

ALWAYS A Higher GOAL

A GIFT or bequest to a college of science and engineering becomes a positive, productive, living monument to the donor. For science and engineering seek always to improve, to develop, to construct. Their common objective is betterment, always betterment. What more desirable purpose could the average donor desire?

Since 1824 the objective of Rensselaer Polytechnic Institute, Troy, N. Y., the oldest school of science and engineering in the country, has been the betterment of mankind through the application of science. Write the Institute for details as to what needs to be done today in research and education.

monthly table, "Changes in selected types of private long-term savings". In a special article on savings, the Board reports an increase during 1939 of about 6 per cent in the amount of savings held in life insurance companies, savings institutions, and savings bonds. Of the \$54,500,000,000 total at the end of 1939, life insurance companies accounted for \$23,400,000,000.

Taxation of Federal securities

IT APPEARS that the debate over whether or not all government interest-bearing securities hereafter issued should be subject to full taxation will shortly be resolved in favor of the affirmative view of the Treasury. Heretofore not all Federal issues have been subject to the same tax exemptions. In 1927 and 1928 three series of notes were issued subject to income surtaxes, as well as estate and inheritance taxes, pursuant to one of the four Treasury alternatives laid down in Sec. 18 of the Second Liberty Bond Act of September 24, 1917. The National Defense Series of bills first issued on November 8, are subject to estate and inheritance taxes, and like all other Treasury bills, to the gift tax as well. For tax purposes the Treasury recognizes no loss from the sale or other disposition of the bills as deductible.

A.B.A. and defense contracts

ON NOVEMBER 7 a committee of the A.B.A.'s Bank Management Commission, headed by J. Harvie Wilkinson, Jr., conferred in Washington with representatives of the Federal Reserve Board and the NDAC on the subject of government contracts. NDAC officials discussed in general terms approximately 15 uniform standard paragraphs on which they were working, the paragraphs being designed for use in government supplies contracts and to cover such points as the termination of the contract, defaults, penalties, priorities, an escalator clause, and the like. One question of particular interest to the group is the protection of the bank in cases of sub-contractors who have no government contracts.

Cheap money to stay

ASSURANCE that cheap money is here to stay is given by Dr. William H. Husband, member of the Federal Home Loan Bank Board in Washington. According to Dr. Husband, "Lower interest rates and liberal loan terms are here to stay and should be studied realistically in the light of present conditions

The Most Efficient and Lowest Cost Way
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SAFE-T-STAK

SIGNATURE CARD STEEL FILES
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SAFE-T-STAK Signature Card Files enable you in one installation or File by File, depending upon your requirements, to surround yourself with equipment that will give you unlimited service.

For economy SAFE-T-STAK Files give you lowest cost per filing inch.

Some other of the many advantages secured with SAFE-T-STAK Signature Card Files are:

Unsurpassed Capacity for space occupied—Flexibility—Because of the unit construction you can stack the files to any height necessary to meet your physical requirements—In stacking SAFE-T-STAK files they can be made into one rigid, compact batch or can be located separately both vertically and horizontally with SAFE-T-STAK patented SLIP-KEYS and TIE-PLATES.

As the inside of SAFE-T-STAK file drawers have a smooth, flat surface, all danger of damaging cards is eliminated. These files are dust and vermin proof and fire resistant.

These are but a few of the many reasons why SAFE-T-STAK STEEL SIGNATURE CARD FILES are your best buy. Write today for Prices and Quantity Discounts.

THE STEEL STORAGE FILE COMPANY

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DISTRIBUTORS IN ALL PRINCIPAL CITIES



How to fool winter

B

BEFORE you gird yourself to meet winter's chilling blasts, build up your reserve of energy at The Traymore. Try cantering on the beach or bicycling on the boardwalk, or tone-up in The Traymore's Health Baths. Pile up an abundance of rest in comfortable sleeping rooms or on sunny, protected decks. Warm up on summer-green golf courses. Remember to come especially over the holidays, for spirited parties Christmas Eve, and New Year's Eve.

Cruise Ashore at The

TRAYMORE

on the Boardwalk

ATLANTIC CITY

Bennett E. Tousley, Gen. Mgr.

by institutions which hope to take the leadership in the home-financing field. These policies exist both by virtue of government facilities and private competition and there is no use regarding them as a 'flash in the pan'."

"H. M., Jr." on guard

THE FOLLOWING is an excerpt from the stenographic notes of Secretary of the Treasury Morgenthau's press conference of November 7.

Question: Mr. Secretary, could you tell us what you have in mind as steps that could be taken in connection with your watching the price movements, the financial question?

Answer: Well, we have got a committee set here, and then we are in touch with all the other departments, National Defense, Agriculture, and I feel the responsibility so greatly here that I mean if adequate—I mean, if action isn't taken—after all, I always have access to the President to bring it to his attention, but we are doing our own work here. Mr. Bell has a committee here which is watching it every day, and we are in touch with Mr. Henderson and the other people who are always working on this very closely.

Question: What I mean is this, what could the Treasury do?

Answer: Well, we can't do anything other than bring it forcefully to the attention of the various agencies.

Question: That is what I mean. You have no particular credit control?

Answer: We have nothing we can do, other than bring it forcefully to the attention of those people and the public, shout from the housetops, "Danger", if we see it, and I am prepared to do so, because repercussions will come on us as a government agency and I am certainly not going to sit here, and if I see something has got out of line, I will raise my voice very loudly.

Have you heard of ARP?

A DEMONSTRATION of the value of keeping bank records in duplicate during wartime occurred in London when a bomb destroyed the book room of a branch of Barclay's Bank, Ltd. Within two working days of the explosion, the customers were again receiving full banking facilities.

The American businessman is slowly becoming preparedness-conscious as regards security for his own establishment and employees. FHA has been receiving inquiries on financing air raid shelters. Senator Elmer Thomas has drawn attention to the protection of people in large cities from air raid attack. Various trade associations, archi-

tectural schools and others are studying ARP, air raid precautions. One of these days we may find ARP a problem of front-page interest here.

The installation of even moderate structural precautions against air-raid damage to persons and property constitutes a problem of appalling magnitude. In England before this war it was estimated that to give Londoners full protection against all air damage, including blast, fire, gas, disease, etc., would have cost some \$2,000,000,000.

Perusal of European pre-war literature on ARP indicates that full protection can never be attained, certainly

not protection against direct hits of high-explosive bombs. But with expert guidance, loss of life from blast, fragmentation and demolition can be virtually eliminated. What this means in terms of architectural changes, structural reinforcements, shelters for personnel and vital records and equipment, day and night concealment, and the like, space here is too limited to discuss.

The least that can be done is to bear ARP in mind before approving plans for any new construction or repairs. "A stitch in time saves nine," blitzkrieg permitting.

BOND PORTFOLIO MANAGEMENT

Under Current Conditions

In the past year swiftly moving world events have introduced new factors in the field of investment—factors that make it difficult to plan for the future. Now more than ever the successful management of a bond portfolio depends upon the adjustment of investment policies to constantly changing conditions.

Our Investment Advisory Department may be able to offer you valuable suggestions for coping with these new problems.

MANUFACTURERS TRUST COMPANY

Principal Office and Investment Advisory Division

55 BROAD STREET, NEW YORK

¿Habla Usted Español?

DEPUTY FEDERAL LOAN ADMINISTRATOR appointment of W. L. Clayton, Houston cotton man, has been made by Jesse Jones to assist the Export-Import Bank in connection with Latin American loans. Mr. Clayton continues on the staff of the youthful and serious Nelson Rockefeller, Coordinator of Commercial and Cultural Relations with Latin America as well as Chairman of the Inter-American Development Commission.

No less than 13 government departments and agencies comprise the Inter-

Departmental Committee on Cooperation with the American Republics. Among those participating are the Department of Agriculture, the Department of Interior, the \$700,000,000 Export-Import Bank, and the Library of Congress.

Then, you probably have heard of the Inter-American Financial and Economic Advisory Committee, which meets at the Pan-American Union and not long ago proposed an Inter-American Bank.

The Pan American Union is "the official international organization of the 21 Republics of the Western Hemisphere" which jointly support it and through which vital action is taken.

Revision of Banking Statistics

THE BOARD OF GOVERNORS of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency are cooperating in the preparation of a comprehensive revision and compilation of banking statistics for the United States. The National Bureau of Economic Research, represented by Professor James W. Angell, is collaborating in the work. George W. Blattner, of the staff of the Board of Governors, has supervision of the project.

The primary purpose of this compilation is to assemble and publish the best available data, from the earliest period for which it is possible to obtain comparable figures down to date, and with the widest possible coverage. The aim is to show the development of the entire banking system and to provide a more reliable basis for the analysis of relationships between general economic activity and monetary and banking forces.

Figures for the principal types of assets and liabilities will be compiled for various types of banks for each state. An attempt will be made to combine and reconcile the numerous series now to be found, often on a noncomparable basis, in the various Federal and state reports.

With respect to national banks, there are no problems as to coverage and the principal task will be to assemble series of data that are comparable over long periods.

The problem with other banks is much more difficult. The available figures for these non-national banks have varied considerably from time to time and from state to state, both as to types of banking institutions covered and as to items reported. Available compilations of totals for all banks in the country are affected by these inconsistencies.

The Federal Reserve Board would be glad to receive any information concerning studies that are being made or have been made regarding banking trends in particular areas or regarding particular types of banks, whether made by individuals, statistical agencies or banking authorities.

It would also like to have any information, however fragmentary, concerning data of the types indicated which are not already accessible in the published reports of Federal and state banking authorities. Information on non-national banks before 1914 will be especially welcome.

By keeping constantly in touch with all important developments in Michigan business and industry, we are enabled to provide banks and bankers throughout the country with an extremely broad and helpful correspondent service.



NATIONAL BANK OF DETROIT

Complete Banking and Trust Service

DETROIT, MICHIGAN

RESULTS COUNT

Bankers are practical. They look for results. In handling business for other banks, in all parts of the country, this institution is geared to produce results; through prompt, efficient collection service and accurate knowledge of business and credit conditions. We cordially invite your inquiry.



THE NATIONAL Shawmut Bank

40 WATER STREET • BOSTON

Member Federal Deposit Insurance Corporation

The New Books

Bankers Be Damned

The Bankers Be Damned. By U. V. WILCOX. D. Daniel Ryerson, Inc., New York. \$2.

THE "doghouse" in which the nation's bankers have found themselves in Washington's political yard since the dark days of 1933 is the environment of this book's fast-moving yet comprehensive analysis of banking's present-day position in the domestic political economy.

The title itself indicates that the book concerns the marked changes in the operation of America's political and economic machinery that bring the contemporary picture into sharp contrast with the days when a leading financier uttered the lamented statement, "The public be damned."

Mr. WILCOX, Washington correspondent of the "American Banker," who also issues to banks a weekly news letter dealing with the capital grist mill, believes the book should go far toward making bankers realize that their function is not only a vital part of American political economy, but that it is also one of the last strongholds of democracy and that the assertion of these facts is the source of survival for America's privately-owned banking system.

By and large, *The Bankers Be Damned* is a non-technical discussion of the events of recent years and a presentation of the major factors necessary to the survival of private banking. Its narrative style gallops along an interesting path through the Washington corridors with occasional pauses for amusing and accurate word-portraits of personalities in officialdom.

Specifically, the author sets forth the thesis that a solution of banking's present-day difficulties is dependent upon the efforts banks make, now and in the future, toward remodeling public policy. To accomplish this objective, he urges coordinated group action. He points out that the attitude of the public as expressed in laws and regulations, which are the principal concerns of the bankers of today and tomorrow, is the product of mass psychology. It has been swayed, he says, by political opportunists who have successfully used the time-tested formula of promising Utopia. It can be swung back to realistic appreciation, he asserts, by the collective efforts of the hard-working

bankers who are on their toes and who want to see chartered banking survive.

R. GRAYSON TAYLOR

A Call to Thinking

Beyond German Victory. By HELEN HILL and HERBERT AGAR. Reynal & Hitchcock, New York, \$1.

MISS HILL is administrative secretary of the National Policy Committee and Mr. AGAR is the former London correspondent of the *Louisville Courier-Journal*. Their book is a call to America to mobilize her power before it is too late, to realize the consequences of a triumph by Hitler over Britain, to understand the danger. "France," they say, "has shown us what happens to a people who are too long cynical."

But just as we must know what the world would be like under German domination and dictatorship, so must we chart out the sort of world we shall have once the German danger is overcome. For our way of life we must have a world at peace; and to realize it we shall require moral vision and political and economic skills. Meanwhile, we must muster our might—now.

This little book of fact and opinion—mostly the former—is a reminder that we need to arm our thinking as well as our army.

Our Capitalism

The Triumph of American Capitalism. By LOUIS M. HACKER. Simon & Schuster, New York, \$3.

MR. HACKER, who has been called "a Marxist historian", writes American history after a different pattern in this 470-page résumé of our development down to the beginning of the present century.

Emphasizing the basic political and economic forces that have shaped our national story, he traces the road we have travelled with capitalism as guide. He concludes that our capitalism was a success. He feels that American "state capitalism," developed in the last few years, is "here to stay" and that, protected by our tradition of freedom and democracy, "we shall use it as a servant and not as a sovereign."

In a final chapter Mr. HACKER swiftly surveys the more recent scene. Before the World War, he says, the leadership

of industrial capitalism had been assumed by the finance capitalists. This change, he contends, signalled the "impersonalization of capitalism—and the beginnings of its decline", for finance capitalism, unlike industrial capitalism, "operated through the device of monopoly: and monopoly killed the expansive and progressive characteristics of free industrial enterprise."

With the New Deal, Mr. HACKER says, state capitalism was launched on its way in the United States, and we had a "social-service state . . . social service because its *economics* was based on welfare. It was also (he adds) in danger of becoming the bureaucratic state: so that its *politics* someday might threaten to be linked with the self-perpetuation, that is to say, the power, of its functionaries."

Capitalism, Mr. HACKER emphasizes, gave us an even richer heritage than the physical means of achieving abundance, for "it wove the idea of egalitarianism into the warp and woof of our tradition", and the levelling ideas that run through our history—such as representative republican government, the public school, universal suffrage—provide the tradition which, he believes, "will make us economically secure and keep us politically free."

Uncle Sam's Territories

The American Empire. Edited by WILLIAM H. HAAS. University of Chicago Press, Chicago, \$4.

THIS book is the fruition of a good idea, namely, to make available, in narrative form, information on the people, economy and history of the territorial lands for which we are responsible. Each contributor has first hand knowledge of that particular noncontiguous part of the U.S.A. about which he writes, and each makes his story interesting and informative.

Although the volume offers an excellent opportunity for modernizing one's knowledge of geography, its essential purpose is to widen the reader's outlook by helping him understand the problems that confront Puerto Rico, the Virgin Islands, Panama Canal Zone, Alaska, Hawaii, and the Philippines.

Their several stories are told between an opening chapter on the era of overseas expansion and a concluding look at "manifest destiny" in Greater America.

War and Economics

The Economics of War. By HORST MENDERSHAUSEN. Prentice-Hall, Inc., New York, \$2.75.

DR. MENDERSHAUSEN outlines the various economic problems war presents, providing "a general theoretical survey of the war economy coupled with short accounts of the practical experience which major wars have provided up to our own day."

There are four major sections of the text: First, a discussion of the needs of a warring nation (manpower, raw materials, etc.); second, the war economy (military demand, war finance, priorities and price control, etc.); third, international economics of war and the neutrals' position; four, postwar economics (economic demobilization, post-war finance, etc.).

The author has been connected with the University of Geneva, Colorado College and the National Bureau of Economic Research.

Critique of Communism

From Marx to Stalin. By J. E. LEROSSIGNOL. Thomas Y. Crowell Company, New York, \$3.

THE dean of the College of Business Administration, University of Nebraska, writes an "examination and criticism of communism" that analyzes, appraises and explains Marxism from its cradle to the Third International.

In a well-balanced critique Dr. LEROSSIGNOL goes into the sources, varieties, tactics and theories of socialism. Regardless of whether the Soviet experiment stands or falls, Marxism, he points out, "demands attention as the most comprehensive, consistent, and formidable of all socialistic theories and proposals. . . . It is a searching analysis and unsparing criticism of things as they are, a fighting philosophy, a call to arms, and a deadly menace to the present social order"

Whether Marx was right or wrong in his main contention that that order must and will be destroyed lies in the lap of the gods, the author asserts. "But the argument upon which Marx based his daring guess is decidedly vulnerable", as the book goes on to show.

Could "it" happen here? Capitalism, Dr. LEROSSIGNOL believes, "though menaced from within and without, is likely to have another lease of life" when the depression has finally passed "and may prove to be stronger than ever before, able to adjust its maladjustments, to resolve its contradictions,

Some Recent Textbooks

THE Fall crop of textbooks has been accumulating on BANKING's shelf, and this seems to be as good a time as any to report on some of them.

Reading from left to right, we find F. CYRIL JAMES' *The Economics of Money, Credit and Banking* (Ronald Press, \$4) which now appears in its third edition. The other two editions were issued while the author was at the University of Pennsylvania; he is now principal and vice-chancellor of McGill University. Several chapters have been added, covering the Canadian banking system and some additional historical material, among other things.

In an attractive format comes *Land Economics* (Macmillan, \$4), by RICHARD T. ELY and GEORGE S. WEHRWEIN. This well-printed book is concerned with the principles of land use and their application to the various types of land and natural resources. Agricultural land, arid lands, forest land, recrea-

tional land, water resources, mineral and power resources and urban land are discussed. The important subject of conservation is, of course, not neglected.

J. FRANKLIN EBERSOLE, professor of finance at Harvard's Graduate School of Business Administration, brings out a third edition of his *Bank Management: A Case Book* (McGraw-Hill, \$5). The purpose of this work is "to provide present and prospective bank managers and public supervisors with realistic situations presenting the major problems of policy which must be properly solved for successful bank administration and public regulation." Most of the cases are taken from actual business experience and come under such categories as liquidity, loans, investments, allocation of assets, expansion and development, general and administrative problems, cooperative control and public supervision. Some new material is included in this edition.

and to change with the changing times." Most of our people belong to the middle class that has something to lose and isn't likely to turn to revolution.

However, in view of what has happened in Russia, Germany, Spain, Mexico, and other distressful countries, and of the possibility that similar calamities might happen here, it is to be hoped that the business, political, intellectual, and labor leaders of this country will be able to come together and work together more harmoniously and effectively than ever before, to the end that the national wealth and income, the joint product of labor and capital, may continue to grow and may be more equitably distributed among all who contribute to the general wealth and weal.

War—When, As and If

M-Day: Banking and Finance. By A. PHILIP WOOLFSON. Brady Publishing Corporation, Cambridge, Massachusetts, \$2.50.

AFTER looking at what happened to business and banks in Germany and Italy, and in England where the exigencies of war have brought many totalitarian controls, Mr. WOOLFSON tells what we may expect when and if war comes. The probable effects on credit, interest rates, branch and unit banking, investment policies, personnel and the personal loan business are examined.

"M-Day", says Mr. WOOLFSON, would mean new government controls

over banking, involving "a decline in the importance of commercial bankers in our regulated economy." The small unit banker would be hardest hit. There will be "a new orientation among commercial banks, and a change in the status of commercial bankers."

The author is contributing editor of The Bankers Magazine.

Briefer Mention

Problems in Service Levels. By WILLIAM SEAL CARPENTER. Princeton University Press, \$2.50. Dr. CARPENTER, chairman of the Department of Politics at Princeton, here considers "the readjustment of services and areas in local government." A discussion of how local problems can be solved and how the local government can serve community needs, the book suggests methods of readjustment.

Little Bits About Big Men. By B. C. FORBES. B. C. Forbes Publishing Company, \$2.50. This is a book of anecdotes and squibs, mostly brief, about people prominent in the last 30 years.

The Curse of Modern Taxation. By W. R. B. WILLCOX. Fortune's Publishers, Inc., New York, \$2. A single taxer, Mr. WILLCOX scraps part of the Henry George theory and develops the idea that taxes should be leveled on land rent which is based on the public services available to land occupants.

METHODS and IDEAS

This department of BANKING is conducted by our Methods and Ideas reporter, John J. McCann

Christmas Club Checks

"WE take pleasure in presenting you with a Christmas gift—a book of five checks which you may use to draw against the balance in your Christmas Club account," runs an announcement sent to members of the 1940 Christmas Club of the Franklin Square National Bank, Franklin Square, Long Island.

The checks are printed in a frame of holly and are clipped together in a paper-backed checkbook.

Included in the message is an invitation to join the bank's 1941 Christmas Club and to use the bank's checking facilities in the future.

News

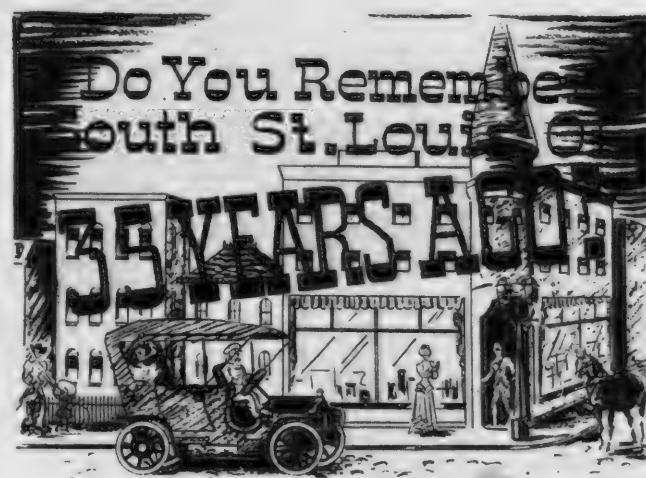
NEWS, monthly house organ issued by the Tower Grove Bank and Trust Co., St. Louis, proves that it is possible to build an interesting, lively publication on bank news alone. *News* devotes itself largely to bank items. Some of the copy sells, some is educational, other copy simply entertains, with squibs on general banking subjects.

Each issue is broken down into definite departmental sections, varied to sustain the reader's interest. Printed in two colors, with clever thumbnail sketches, silhouettes and photographs, this booklet makes a worthy contribution to its title—*News*. Carrying out this theme still further, the bank conducts a radio news program on KSD Sunday afternoons.

Service for Service Men

THE COLONIAL TRUST COMPANY of New York recently announced the development of a new financial "service kit"—a program which pioneers in making the facilities of the bank's trust department available at a nominal charge, to Army and Navy men, and to those about to leave civilian life to enter the service.

Under this plan, for a period of two years the individual is offered a custodian service for his valuable papers, and is permitted to deposit with the trust department securities to a par value of \$10,000; the income therefrom will be collected and disbursements made as directed. The fee for the two



ONE hardly realizes the great changes, the great growth, the great progress which has taken place in St. Louis' South Side, until he comes face to face with things of the past, with which to compare.

On the next two pages we present some interesting photographs which illustrate these changes, our source of inspiration being a large booklet issued in 1908, en-

News—the Tower Grove Bank & Trust Company's house organ—includes an interesting historical sketch and silhouettes of St. Louis in 1905

year period is \$20, or less than 3 cents a day. The service is also available at a lower cost in the event the individual does not deposit securities.

Fashionable Financing

THE FALL OF PARIS and the exodus of famous designers to foreign shores has again set the world of fashion on pins and needles. The battle for prominence rages in a modiste way on all style fronts. Said JOHN S. HAMILTON, vice-president of the Irving Trust Company, at a recent meeting of the American Council of Style and Design, Inc.: "American banks will undoubtedly encourage and finance sound ventures which would establish the United States as the style center of the world, with New York City as the focal point." Here is projected a tremendous, but profitable job. The council, a non-profit fashion chamber of commerce for inter-industrial cooperation, will push this thought for all it is worth.

Check-Cashing Service

A NEW AND UNUSUAL SERVICE is now being offered by the Currency Exchange to Glendale (Calif.) and surrounding territory. This new establish-

ment is owned and operated by two residents of Glendale, both well known in the community. Its function is briefly this: All pay checks, regardless of size or origin, will be cashed for a nominal service charge ranging from 5 to 25 cents on checks from \$1 to \$100. The service is being promoted as a convenient time-saver to industrial workers, and the appeal is largely that of eliminating any purchasing obligation which is so commonly the case when checks are cashed by local merchants.

Novel Medium

FOR THE DEDICATION of the Great Smoky Mountains National Park, the First National Bank and Trust Company in Asheville (North Carolina) issued an oxidized silver token about the size of a half-dollar. The bank's signature appeared on one side, and information commemorating the event was embossed on the reverse side. The first token was presented to Mayor HOLMES BRYSON by BURNHAM S. COLBURN, president.

Pay Your Doctor Week

"PAY YOUR DOCTOR WEEK," inaugurated two years ago by the California

Bank, Los Angeles, on a local basis was observed nationally last month (November) in scores of cities throughout the country with local banks sponsoring the movement. Widespread use of newspaper, radio and direct mail publicized the idea of using bank credit to pay delinquent bills, and to procure funds for needed treatments and operations. Some institutions reversed the borrowing theme by plugging savings plans as a reserve against medical emergencies.

Safe Deposit

THE COMMERCIAL BANK & TRUST COMPANY (Jackson, Mississippi) hits on

a new idea in selling safe deposit service. To stimulate year-round booked rentals, the bank offers a "pay-as-you-use" plan, for depositors only. The boxholder pays one month's rental in advance, plus 50 cents key deposit, and thereafter the monthly rental is charged to his account for as long as he holds the box. All rentals made between the first and fifteenth of each month are dated back to the first of the current month, and rentals after the fifteenth are charged as of the first of the following month. A box may be vacated on the first of any month, keys returned and the original key deposit is refunded. Non-depositors must rent on the regu-

lar basis. The plan has received great support among the bank's customers.

Special Service

COMMERCE TRUST COMPANY, Kansas City, Missouri, apparently has the right idea in exploiting an old and familiar service, in a new and modern way. "The Information Desk", long the focal point of miscellaneous information for bank customers, seems to have grown musty. Commerce Trust puts a new inflection on the subject with a teller's window sign reading—"Special Service". Here is where all manner of unusual things are done for customers and others. Where anyone may come for extraordinary help at any time. This department operates on the slogan—"If It Can Be Done . . . We'll Do It".

House Organ

THE NATIONAL, monthly eight-page house organ distributed to residential sections of Albany, New York, by The National Savings Bank, suggests an excellent news source for local interest. The inside front cover is devoted to "Capital Notes"—an activities calendar covering social, civic and service clubs.

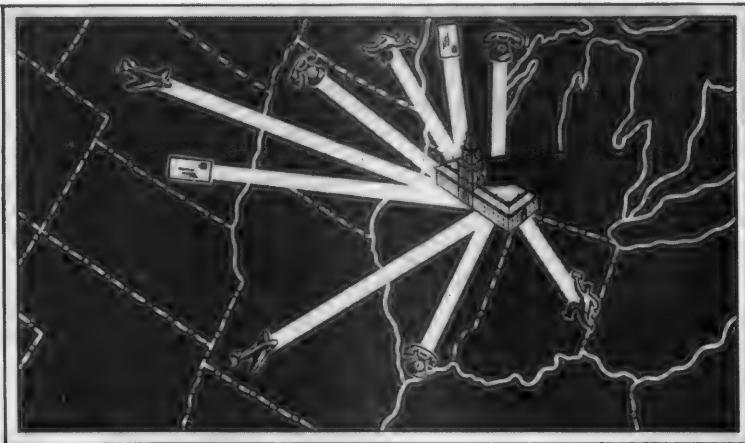
Contact is made with club secretaries and additional circulation is guaranteed by distribution to various club memberships. As many of these organizations are engaged in civic affairs and many sponsor open meetings of various kinds, interest in the calendar is not limited to any particular group, but is widely read. Other sections of the house organ are devoted to general subjects, movie stars, hobbies, household hints, fashion. Usually the back cover features a bank advertisement on some timely service.

Statement

AGAIN, getting away from traditional customs, the First National Bank in Palm Beach, Florida, sets a new precedent on this question of official listings in bank literature. Instead of simply naming the senior executives and directors, many of whom rarely have contact with the customer, the bank's official list includes all officers and key employees—managers and assistant managers of various direct contact departments. The bank also makes another interesting departure. Asterisks are placed before the name of each officer and director to call attention to the fact that they are legal residents of Florida and the Palm Beaches.

Thrift Introduction

CENTRAL SAVINGS BANK, New York City, has created quite a stir in young



"Let's Ask Live Stock National"

From the nearly 500 agricultural banks for whom it serves as Chicago correspondent, Live Stock National receives many requests for information, counsel and out-of-the-ordinary services.

These banks *know* that Live Stock National is both able and willing to help them. Able because of its 72 years experience, its every-day contact, with agriculture in all its phases. Willing because this bank has always maintained a direct, friendly and neighborly way of doing business.

If agriculture requires your attention, too, why not "ask Live Stock National"? Your inquiry concerning the *many* benefits of a correspondent connection is cordially invited.

Live Stock National Bank of Chicago

UNION STOCK YARDS

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

thrift circles with its unique coin collector—My Own Savings Book. This book has served its chief purpose if it acts as an introduction to the habit of thrift—a habit which if neglected in youth is often hard to acquire, but when once acquired is hard to lose. Page one has a merry jingle on how money grows—as fast as poor Pinocchio's nose! Pages two and three are coin cards with die-cut slots for inserting the coin denomination called for in the rhyme printed on both pages. The center spread poetically congratulates the saver on amassing \$1 and encourages the filling in of the next two coin pages to amass the second dollar. The verse on the last page invites the youngster to deposit his book with the bank and start over again on a new book.

A vigorous publicity campaign put over this unusual item to the tune of 15,000 copies since introduction. The bank charges 15 cents for each book and it is not uncommon for customers to buy a dozen or more to distribute among friends and neighbors.

Another Good Neighbor

TO ENCOURAGE travel in the Argentine, The First National Bank of Boston has issued a handsome booklet entitled "Behold Argentina" over the signature of its Buenos Aires branch. It contains brief descriptions of the country and its beautiful capital, as well as general descriptions of the various zones arranged according to climate and production. An attempt is also made to escort the traveler on his first outings and to give him an idea of how to find his way around town, where to go, what to look for, and, if possible, what to appreciate. A handy, separate folder is also found in an envelope on the inside back cover. In addition to a currency conversion table, this booklet contains a number of "useful phrases" which may help the visitor to make himself understood in a general way and to solve, among other minor problems, the intricacies of the Argentine restaurant menu.

Dental Plan

THE MASSACHUSETTS DENTAL FOUNDATION recently launched a campaign for "Better Health by Means of Proper Dentistry", which enables the average person to have his entire dental work completed by his own dentist on a deferred-payment plan. The plan will operate in cooperation with the National Shawmut Bank of Boston. It is unique in the dental profession because for the first time arrangements for financing dental services for \$50 or more can now

be completed by the individual dentist without requiring the patient to establish his credit directly with the bank. The Foundation is a non-profit organization founded by the Massachusetts Dental Society and hence this service will be operated on a state-wide basis.

Air-minded

THE FIRST NATIONAL TRUST AND SAVINGS BANK, San Diego, California, claims the distinction of being the first institution to publicly advertise "plane loans". This, says M. C. PFEFFERKORN, vice president, is a double honor as his

institution was the first coast bank to promote automobile loans several years ago. Copy theme strikes the point that San Diego has long been the air capital of the West in number of hours flown, mail and express carried, and passengers delivered safely. The bank gives a standing invitation to all air-minded Californians to discuss applications for "plane loans".

Labor Relations

LAST MONTH (November) the Irvington National Bank (New Jersey) co-sponsored a noon-day meeting with the local Optimists Club on the subject

Equipment of interest to every banker

This Loan Department Bus can be arranged to accommodate all records pertaining to every loan transaction.

Wheeled close to the Loan Officer's desk, it will save miles of steps, and it will give the customer confidence in the bank's method of doing business. Furnished either with or without the Loan Ledger Tray, and with any desired arrangement of the filing drawers.

State your requirements and we will submit sketch and price without any obligation.



Hi-Lo Reference and Posting Stand

Patent No. 2158020, May 9, 1939



Write for Descriptive Booklet No. 667

EFEBURE

CORPORATION

Originators and Manufacturers

CEDAR RAPIDS, IOWA, U. S. A.

"Present Trends in Labor Relations", with the Rev. L. HAMILTON GARNER, director of the Newark Labor Relations Board, as guest speaker. Bank depositors and large industrial employers were extended invitations. The public relations value of such a program is obvious.

Radio

CENTRAL NATIONAL BANK, Cleveland, recently launched a new type of radio program—"Flashback"—over Station WGAR. It is a "live" broadcast by two announcers on a five minute sport schedule sandwiched between two

regular news broadcasts. The program is described as "a new program of the past . . . famous events of history as they might be reported by a radio news commentator at the time they occurred." A so-called "floating" schedule is carried by the station at 10:40 p.m. on Mondays, Wednesdays and Fridays, or just before the 10:45 world-wide news program of the Columbia System. The program is entertaining and educational.

Employee Insurance

A LIBERAL GROUP insurance program for employees is well worth while, ac-

cording to the First National Bank & Trust Co., Oklahoma City. In addition to the more or less customary policy of automatically covering each member of the staff with a \$1,000 policy at the end of six months' service, the bank attempts to help each individual build a worthwhile insurance estate. Policy increases follow automatically at the rate of \$250 annually for the first five years, and \$500 annually for the second five years. At the end of 10 years of service with the bank, the individual has a \$5,000 policy on which the bank pays the total premium, and has the option of taking out an additional \$5,000 policy on which the bank will pay half the premium. Under this program 156 officers and full-time employees have now in force approximately \$1,000,000 in group insurance. All policies are convertible should the employee leave the bank at any time.

Conscripts

BANK POLICY with respect to employee-conscripts is now taking definite form. As previously mentioned, some banks are continuing regular employee incomes through the service period, while others feel that any such policy is directly contrary to the morale of a civilian army. However, of late, numerous reports have been received from banks in many sections outlining some form of bonus program ranging from one to six months' salary, plus suspension of contributions to retirement funds and other financial plans which the bank holds in common with employees. In each case reported, group life insurance and the disability benefits thereunder will be kept in force for the conscription period. In several cases, health and accident benefits were suspended.

Tie-up

THE NATIONAL DEFENSE theme is currently one of the more widely used copy angles in bank advertising, both institutional and promotional. The preparedness motif is a natural for thrift, trust, safe deposit—in fact, it can be turned upon every financial service. Institutionally, American banks have given public indication of where they stand on the question of building and backing national defense. Linage devoted to defense loans has become already an important category of bank promotion schedules. But perhaps stronger than these, is the intelligent, far-sighted, strictly institutional copy which has been aimed at building public morale and support for the service. Such advertising may well be ranked as

Charles R. Dunn, Fiscal Agent

31 Nassau Street New York, N. Y.

THE FEDERAL INTERMEDIATE CREDIT BANKS

Springfield, Mass.	Louisville, Ky.	St. Paul, Minn.	Houston, Tex.
Baltimore, Md.	New Orleans, La.	Omaha, Neb.	Berkeley, Cal.
Columbia, S. C.	St. Louis, Mo.	Wichita, Kan.	Spokane, Wash.

a community, if not a national service. Florida National Bank, Jacksonville, is among a large group of banks which have trained advertising guns in this direction.

Check Promotion

WJZ CARRIES The Chase National Bank's new radio show at 6:05 p.m. each Tuesday and Thursday—a hit program that is proving a great help in the Chase employees campaign for special checking accounts. The program, "That's not New York—But It's Part of It" is conducted by a noted actor, **TOM POWERS**, and consists of

whimsical and entertaining yarns about unusual personalities and places in New York. The employee drive which ends this month carries prizes of \$200 first, \$150 second, \$100 third and \$50 fourth for those enrolling the largest number of new special check accounts. In addition, 25 prizes of \$10 each will be awarded to employees who rank from fifth to twenty-ninth in total number of new business. Each eligible employee is also paid \$1 for every account introduced and accepted by the bank.

Home Front

WORCESTER COUNTY INSTITUTION

FOR SAVINGS, Worcester, Mass., grinds an ax for architectural counsel in its current newspaper campaign. A recent newspaper advertisement reproduced a "better homes and gardens" chart showing a cross-section of what America thinks about architectural style. Related copy followed-through with a cross-section of opinion on what America thinks about architects. This advertisement is part of a series sponsored in cooperation with Architectural Service. The series is designed to give the home-buyer a good insight into his problems and their solution, as well as to invite financial help from the bank.

COUNTERFEIT QUIZ ANSWERS

(See page 26)

1. No better way has been found to test a bad bill than by comparing it with a genuine bill of the same denomination and type.

2. This advice will help all money handlers: *Know your money*. Familiarize yourself with your bills; spend some time each day for at least a week studying your bills; note the masterful workmanship of the genuine note; study the portraits; note the extreme clarity, the fine ruled backgrounds, the well placed shadings; pay attention to the serial numbers, the seals, the paper itself. Once you have familiarized yourself with genuine money, you will automatically note a bill that has some flaw in it. You can then compare it with a genuine bill.

3. Because the portrait on the genuine bill, being one of the best examples of the art of the master hand-engraver, is the feature most difficult to reproduce.

4. No, because the so-called numbers in the bushes are an optical illusion. There was no intention of placing them there by the designers of the notes.

5. No, because ink can be rubbed off any printed matter. This holds true of genuine as well as counterfeit notes.

6. Yes. Such rewards are paid at the discretion of the chief of the United States Secret Service, Frank J. Wilson, and are paid only when the information is authoritative and proves to be of value.

7. The amount varies. During a recent 5-year period the public lost an average of \$1,000,000 a year through acceptance of counterfeit money. Secret Service activities have reduced this amount to less than \$300,000 yearly.

8. No, unless it could be proved that you did so with guilty intent. If you passed it knowing it was counterfeit, you would be subject to arrest and prosecution.



Scene in the Central Proof Division

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO

Member Federal Deposit Insurance Corporation

Bank Directors and Defense

(CONTINUED FROM PAGE 18)

builder of marine engines in his community and suggested he try to get the contract. The engine manufacturer had never thought of selling boats, but only of selling engines. The director pointed out the possibility of buying a sea-sled plant further down the coast and installing his engines in them. The manufacturer adopted the idea, the bank financed the deal, and the Navy got the boats.

Defense activity of banks will be nation-wide. The greater part of the industrial expansion will be located in centers which heretofore have not been industrial centers. Around the major industries will cluster many minor industries. Workmen and their families must be housed, clothed, fed, transported and even entertained. There is here a wealth of opportunity for the director to bring together the local bank and these people, for their common benefit and for the furtherance of national unity.

ONE bank director with vision explains his local situation as follows:

"Every business, large or small, is going to be affected by the Government's program for defense, whether it realizes it now or not. One enterprise alone, the erection of a munitions plant across the river from us, is going to have some influence on every merchant and manufacturer in this community.

"Many local manufacturers will operate at capacity to furnish materials for this project. In turn, hundreds of other concerns will sell more to these manufacturers. Increased payrolls will mean increased trade. Business of all kinds will need loans to take care of expanding operations.

"At the center of all this activity stands our bank. It is our function to make loans to business to keep it operating at maximum capacity and maximum efficiency. As for me, personally, I consider it a high and patriotic privilege to contribute my knowledge and experience, to give such suggestions as seem to me to be helpful, and to cooperate closely and conscientiously with the bank management and with my fellow directors to devise ways and means to make the bank as useful as possible."

In order that a board may adopt policies and procedures most helpful to national defense it is important that they have a fair understanding of the Government's defense program and the methods of financing it. The job, of course, is, to a large extent, one of supplies for the armed forces. Usually this is done along three lines:

1. Cutting down on consumption by civilians.
2. Diverting new production facilities away from peacetime uses to defense uses.
3. Stepping up defense production.

The Nazi war machine has been built with the things the German people have denied themselves. With us no such sacrifice is necessary. Here there will be no cutting down of consumption as long as we have production facilities sufficient for our needs.

By the same token there is as yet little or no necessity

to divert production facilities away from non-defense enterprises. Needs of defense must come first, but as long as we have enough for both defense and normal purposes, the peacetime enterprise may look forward to going ahead as usual. Progress and expansion need not be halted.

To increase production is the one big job of national defense. It has three phases:

1. To produce more speedily.
2. To use production facilities more completely.
3. To get more facilities for production.

All these things cost money. Supplies and materials must be bought, men must be equipped, machines must be made, conditioned and operated, payrolls must be met, plants must be modernized and expanded. Some of the necessary financing will be done by the Federal Government and some by the banks. In some cases, that is to say, the Government will issue bonds to which the banks will subscribe, while in other cases, the banks will lend directly to companies working on defense orders.

Leon Henderson has said, in speaking of the new bankable form of government contract:

"There will be less reliance on the Government debt and more use of private credit for underwriting plant expansion."

Under a new law, the Reconstruction Finance Corporation has power to buy and hold strategic material, and to build plants. This latter power, however, it probably will not use unless it becomes necessary. It will not be necessary as long as private enterprise and private capital are available and adequate.

It might well be considered the duty of every bank director not only to acquiesce in but to seek out every sound loan application that will contribute to the national defense. If an application does not at first seem to meet the strict requirements of banking practice, a director should look for some means to make the loan bankable.

BUSINESS is going ahead, and the banks must keep pace with them. Developments may not assume the proportions of a boom, but there is no doubt that activity will be vastly greater. Our banks probably will have much the same experience as Canadian banks have had, but on a much larger scale. Although Canada cannot be called an industrial nation to anything like the extent that ours is, when the nation rallied for defense, Canadian bank loans rose sharply. The progressive banks of the Dominion drove more aggressively than ever before for loans.

Our dollars, too, must be put to work—all of our dollars. To see that they are put to work is a responsibility of the bank director. He carries out that responsibility now in the same manner as in times that are normal—by knowing his communities, by knowing his banks, by laying down sound policies, by placing the active management of the bank in efficient hands, by seeing that the management carries out the board's policies faithfully and efficiently, by giving of his time, his counsel and his energy to serve, through the bank, the community and the nation.

Memorandum for Inventors

IN an interesting booklet, *Industry's Challenge to Research*, The Research Advisory Service goes way beyond the old saw that "what this country needs is a good five-cent cigar". The booklet's 43 pages list gadgets, machines and methods needed by industries ranging from adhesives to railroad equipment, and the needs themselves vary from tobacco that leaves no ash to tests of metal for corrosion resistance.

In the section on building and construction, for example, the following needs are listed:

Mass production of prefabricated houses would give us the greatest stimulation we have ever had. Practically every new house would have a new gas range, bathtub, refrigerator, washing machine, etc. All that is required is a real determination on the part of a combination of companies to develop, finance, and market this project.

Construction methods to eliminate the necessity of conventional framing. With the utilization of plywood panels, a method of inserting truss members or bracing between sheets of plywood on some kind of linderman joint will afford both strength and rigidity, and connectors for successive panels. With this type of construction, the exterior walls, bearing partitions, floors, and roof decking would have many times the strength and rigidity of the conventional stud and nail construction.

In the low cost house, where bathrooms seldom vary from a fixed standard, they should not have to be laboriously assembled by cutting and fitting in the field. A bathroom "chassis," to which the various fixtures might be quickly attached would eliminate much expensive field work and permit vast improvements in bathroom cabinets, lighting, etc.

Low cost built-in lighting in homes and offices as opposed to the tacked-on form of fixture, particularly with regard to the new fluorescent units.

A large board or unit which would enable quicker application over large areas of steep and pitched roof, as well as siding, as opposed to the present method of applying individual shingles or strips of four.

A thoroughly reliable inexpensive $1\frac{1}{2}$ " thermostatic mixer for mixing hot and cold water to deliver blended water at a constant temperature irrespective of pressure changes in the supply lines,

to be sold at a price attractive to small home owners, apartment owners, and hotels.

Economical acoustical tile, fireproof and non-warping, with high light reflection and with an absorption of not less than 80% at 512 and 75% noise reduction coefficient.

A carefully planned system of new super highways would result in an

almost endless development of new materials, for traffic would be speeded up and new materials would be required to withstand the strains of such higher speeds.

Improve our secondary road system by some cheap, efficient method, such as soil stabilization or the application of a product to the surface and sub-base.

SPEEDY

Fulton Correspondent Service

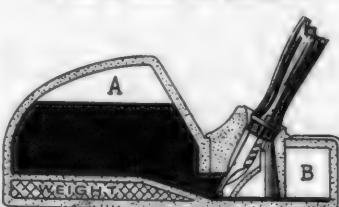
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ATLANTA, GEORGIA
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SAVINGS THAT BUILD PROFITS

An up-to-date duplicator plus an illuminated drawing board (both easy to operate) can turn out forms, announcements and reports rapidly and economically. At least ten important banking problems—such as increasing loan volume, analyzing depositors, accounts, keeping mailing lists accurate, and providing officers with daily summaries—can be solved by this modernized duplicating equipment. A 10-page booklet *Profits and Savings for Banks* offers many helpful suggestions.

NEW LIGHT—OLD PROBLEM

Bright lights often dull bright eyes—but the right sort of light keeps bright eyes bright (you may want to read that twice). What we are driving at is that properly designed fluorescent lighting can work wonders by reducing eye strain, electric bills and clerical errors. This bulletin on *Fluorescent Lighting Equipment* may point out the solution to your own lighting problem.

A PLUS FOR PERSONAL LOANS

The growing acceptance of consumer credit by commercial banks has brought new profits, and new problems. The experience of many banks proves the desirability of insuring the lives of borrowers to reduce risks, enhance profits, build good will among both borrowers and comakers, make it easier to obtain comakers, and guard against an unpleasant situation should the borrower die before the loan is paid. A handsome, spiral-bound, 24-page booklet *No Man's Debts Should Live After Him* is offered by a pioneer company in the insurance field; it presents a sample master policy covering all borrowers, and charts and forms showing how simply this plan operates.

QUIZ ON RAILROADS

This booklet has a strong element of interest in it to all who succumb to

the eternal romance of railroads—and, in broader terms, to all who wonder how strong is the railroad fibre of our economic muscle. Here are 60 pages packed with 408 questions and 408 answers about railroads and railroading; for sheer readability it rates a triple A 1.

A PERSONAL INVENTORY GUIDE

Would you like a "personal inventory and insurance guide" for your home and your possessions? This 16-page record, made available by a leading insurance company, will prove a staunch friend should disaster (and may it never!) strike at your hearthstone. Give this well-arranged guide to yourself and to your friends; filled in, it serves as a document of cherished possessions—and, as you know, insurance company adjusters naturally prefer authentic documents to even the most accurate recollections.

Reminder Reviews

SIGNS THAT SELL . . . Modern directional signs having illuminated lettering carved in glass not only help sell bank services but beautify bank lobbies and speed lobby traffic in the bargain. A 14-page booklet, with illustrations and diagrams, will tell you more about them.

AIR QUIZ . . . Much information about air conditioning—including 24 health and comfort benefits that may be obtained from mastery of the weather—packed into a 4-page folder.

NOVELTY STORE . . . A veritable novelty store between covers is this 68-page catalogue showing an astonishing assortment of premium and advertising novelties. If you seek business gifts that last, shop here and save both time and money.

MEASURING INVESTMENT VALUES . . . Credit file reports on 362 corporations having bonds eligible for bank in-

vestment help keep moderate-sized investment portfolios healthy and profitable. Each report contains significant ratios revealing both long term and current trends. A 4-page descriptive folder, plus illustrative sheets, will give you essential data.

POSTING AND PROVING . . . A 16-page study of ten plans a bank may choose from in posting and proving daily balances.

DESIGN FOR CHECKING . . . Creating a smart design for your checks will pay handsome dividends by spreading a favorable impression about your bank. Check up on your check design with this handy kit; it's an idea starter.

FREE PAPERWEIGHT (Air Conditioning Department) . . . If you'd like information on a new air conditioning development along with an attractive paperweight to grace your desk, write for the midget-sized, 16-page booklet *On The Level*; in it is the information, and with it comes a miniature model of a compressor unit which demonstrates the new equipment.

CRIME'S 15 BILLION DOLLAR BILL . . . Observe the precautions outlined in this 8-page booklet and help your bank and your customers cut down the \$15,000,000 a year that we Americans pay criminals for 1,200,000 burglaries, larcenies and robberies. Use this booklet to determine whether your customers are outwitting criminal organizations through effective modern methods.

BATHROOMS THAT ARE BEAUTIES . . . Much information on basic bathroom plans, architectural and decorative design, arrangement of fixtures and plumbing, and color harmony—in a 14-page booklet of practical ideas useful in modernizing bank-owned residences or in financing new ones.

Heard Along MAIN STREET

Compiled by Albert Journeay vice-president, Purse Co.

COMMENTING on the 70th birthday of THOMAS W. LAMONT, chairman of the executive committee of J. P. Morgan & Company, Inc., a New York *Times* financial writer said recently:

"Mr. LAMONT is one of the few Wall Street bankers who can rightfully say to inquiring reporters: 'I used to be a newspaper man myself,' although it is not recalled that he ever used this remark. His newspaper experience was in 1893-94. After having served successively as an officer of the Bankers Trust Company and First National Bank of New York, he became a member of the Morgan firm in 1911, a partnership that continued until May 1, 1940, when the 80-year-old private banking firm became a state-chartered institution."

★

WILFRID B. JOHNSON, cashier of First National Bank, Ponca City, Oklahoma, has been elected national president of the American Business Clubs of the United States.

This is the first time since the clubs' founding 18 years ago that a banker has been selected for this post. He is the second westerner to be so honored.

Mr. JOHNSON, who is 37, entered banking in 1922 during school vacations, since which time he has been active in civic and church life in his community. He has served as secretary-treasurer of the Kay County Bankers' Association; vice-president of the Ponca City Chamber of Commerce; treasurer of the Northern Oklahoma Area Council of the Boy Scouts of America, and chairman of Ponca City Community Chest Board. In 1939 he was nominated as Ponca City's "Most Useful Citizen" in a competition.

★

FRANK D. LAWRENCE, 49, vice-president, American National Bank, Portsmouth, Va., was an amateur ball player in his youth, became interested in the Portsmouth Club in 1914, its president in 1922, now owns the Portsmouth Cubs and is affectionately known as the "Old Fox" of the Piedmont League.

In 1938, after CONNIE MACK had dropped an option on ED YOUNT, Mr. LAWRENCE sold him to the Pirates for a reported sum of from \$10,000 to \$20,000. Other players sold to major league

teams by Mr. LAWRENCE include ACE PARKER, PIE TRAYNOR, HACK WILSON, JIM KEESEY and LARRY BENTON.

Mr. LAWRENCE entered banking as a runner at The Merchants and Farmers Bank of Portsmouth; resigned in 1918 and helped organize the American National, which is now Portsmouth's largest bank. Besides banking and baseball, Mr. LAWRENCE is deeply interested in civic affairs.

★

WILEY R. REYNOLDS, president of the First National Bank in Palm Beach, Florida, was appointed by Governor CONE to serve on a 32-man committee, headed by CARL D. BROREIN of Tampa, to investigate potentialities of increasing the state's shipbuilding facilities.

The Governor acted after receipt of word from Senator CLAUDE PEPPER that the National Defense Council and naval officials had asked for the survey.

★

A. G. STOLTZ, Jr., assistant cashier, The Second National Bank of Bucyrus, Ohio, is president of the Ohio Gun Collectors Association, which has about 500 members from this and foreign countries.



Included in Mr. STOLTZ's gun collection is a Colt Dragoon .44, of 1848. Top, left, is shown a Colt .31 of 1849. Top right is an Allen & Thurber .34 pepperbox revolver.

Mr. STOLTZ has been a collector of guns since his boyhood and has owned and used about every type of fire arm from the matchlocks of 1600 to the automatic arms and machine guns of today. He received his education at Culver Military Academy.

LEADING business men of Central Texas recently gathered at the home of DAN E. GRAVES, chairman of the board, National Bank of Gatesville, to pay tribute to the bank's president, LEAKE AVRES, on his completion of a half century in the banking business. About 400 guests were present.

Mr. AVRES began at the bottom as errand boy, porter and runner and has successfully completed each succeeding step on the ladder.

★

GEORGE L. IRONS, assistant treasurer, The Toledo Trust Company of Toledo, Ohio, has just completed 50 years of uninterrupted service to that institution and its predecessor, The Second National Bank.

Mr. IRONS was presented with a unique memento by the old Second National group at a dinner given in his honor. This was a gold watch chain and a gold charm made from a \$5 gold piece dated 1890, the year in which he first began his work.

★

A. L. M. WIGGINS, president of the Hartsdale (S.C.) *Messenger* and general manager of J. L. Coker & Co., Hartsdale department store, which recently celebrated its 75th anniversary, is well known to bankers as chairman of the A.B.A. Committee on Federal Legislation and president of the Bank of Hartsdale. His more local occupations are, by their nature, less widely publicized; nevertheless, they do their bit toward keeping Banker WIGGINS busy.

In connection with the store's birthday the *Messenger* printed an eight-page supplement telling the story of the organization and its employees. Mr. WIGGINS joined the company 27 years ago, just out of college.

★

THE NEW COLOR picture, "3,750,000 Checks Cannot Be Wrong," was personally filmed by C. E. BROCKWAY, president, First National Bank in Sharon, Pennsylvania. The premiere of the film was held recently in Sharon. So successful were the first three showings that requests for it are coming in from many organizations.

The film, made in cooperation with the Federal Reserve Bank of Cleveland, is designed to explain to the public the work required in handling checks.

"Very Profitable"
says Banker using
SCIENTIFIC SYSTEM
OF PROPERTY
MANAGEMENT

A recent letter states "My visit at your Oklahoma office and trip through your territory was, I feel, very profitable and I was very much pleased with the results you have made in the past two years in the supervision of our farms. You are to be commended upon the fine work that you are doing."

A complete service in city and farm property management and mortgages. Territory — Ala., Ark., Ga., Ia., Kan., Miss., Minn., N. D., Nebr., Okla., S. C., Tex., Mich., Mo., La., and Tenn.

Send for new brochure that gives complete details and clients' observations

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★ Modern Cocktail Lounge and Distinguished Dining Facilities.

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H. P. Somerville, Managing Director

Mr. BROCKWAY's interest in motion pictures began when, four years ago, he had a friend make pictures in his bank, which movie became a fixture in four different schools as a part of their educational work.

★

GEORGE GREELEY, secretary, First National Bank in Oshkosh, is one of Wisconsin's outstanding "Young Republicans." He also is active in civic affairs.

Mr. GREELEY helped organize many Junior Chambers of Commerce throughout the state and served as a member of the Oshkosh Public Library Board. He was awarded the Distinguished Service Award for meritorious civic work in Oshkosh.

★

D. H. JOHNSON, vice-president of the Citizens & Southern National Bank, Augusta, Georgia, is president of the Twin States Livestock Association, which is making noteworthy contributions to the development of the livestock industry in parts of Georgia and South Carolina.

Last year, it is estimated, cattle and hogs valued at \$4,000,000 were marketed in the 26 counties of the association; about half the total was sold through the Augusta markets. The organization helps farmers finance practical livestock raising with the aid of bank loans, and promotes the raising of home-grown feeds.

★

ON APRIL 17 last, when the Republic of France was awaiting the onslaught of the Germans, the Daladier government signed a decree conferring the "Ordre de la Legion d'Honneur" on a number of French citizens and friends of France throughout the world.

In that list was Dr. PAUL F. CADMAN, economist of the American Bankers Association. Word of the award did not reach him until many weeks later. In all probability, this decree was the last of its kind signed by the Third Republic.

Dr. CADMAN fought as a volunteer in the French World War armies, holds the French War Cross, and served as a captain of the Field Artillery in the Second Division, which was decorated with the "fourragere" of the "croix de guerre." After the war, he studied for nearly three years in the University of Paris and was awarded the coveted state doctorate by the Ministry of Public Instruction through the University of Paris.

He has published 12 or 15 monographs on Franco-American personalities and events and had the privilege of tracing for the first time the French ancestry of the American patriot, Paul Revere. He helped to reorganize the American Ambulance late in 1939 which was instrumental in sending a whole section of ambulances to the French army. These vehicles are now being used to transport food into Paris.

★

FRED W. ELLSWORTH, vice-president, Hibernia National Bank in New Orleans, has a genius for friendship. Out of his sincere appreciation of friendship he has developed a remarkable hobby—the collection of photos of his friends. This collection which he calls his "Rogues Gallery" now numbers about 9,000 pictures.

★

JOHN WASHINGTON INGMAN, trust officer, First National Bank and Trust Co., of Port Chester, New York, possesses, so far as we know, the longevity record for continuous service to a banking institution. He has been a member of the First National's staff since July 5, 1870, and is, therefore, now in his seventy-first year of service.



Mr. Ingman

Mr. INGMAN still brings to his work the enthusiasm of youth. He is one of the first to arrive on the job every morning. His major interests, aside from banking, have always been his family, his church, and photography.

He owns a complete set of pictures of Old Port Chester and vicinity, which are frequently used by the newspapers and shown by clubs.

When Mr. INGMAN first joined the First National Bank of Port Chester it was the only bank between New York City and Stamford, Connecticut.

(CONTINUED ON PAGE 66)



THE CANADIAN BANK OF COMMERCE

HEAD OFFICE - TORONTO

STATEMENT AS AT 31st OCTOBER, 1940

ASSETS

Cash on hand and due from Banks and Bankers.....	\$ 98,174,634.12
Notes of and Cheques on other Banks.....	20,947,205.12
Government and other Public Securities.....	238,878,844.46
Other Bonds and Stocks.....	19,359,239.73
Call and Short Loans (Security held of sufficient marketable value to cover)....	17,726,015.27
Deposit in Circulation Fund, held by Dominion Government.....	<u>847,000.00</u>
Total Quick Assets (60.63 per cent of Total Liabilities to the Public).....	\$395,932,938.70
Loans and Discounts (After full provision for bad and doubtful debts)	266,018,641.59
Acceptances and Letters of Credit for Customers (See below)	20,842,612.93
Bank Premises.....	14,203,007.83
Other Assets.....	7,483,252.27
Total Assets.....	<u>\$704,480,453.32</u>

LIABILITIES

Notes in Circulation.....	\$ 17,160,798.69
Deposits.....	615,074,119.77
Acceptances and Letters of Credit (See above).....	20,842,612.93
Total Liabilities to the Public.....	\$653,077,531.39
Capital Paid Up.....	30,000,000.00
Reserve Fund.....	20,000,000.00
Dividends declared and unpaid.....	617,917.32
Balance of Profit as per Profit and Loss Account.....	785,004.61
Total Liabilities.....	<u>\$704,480,453.32</u>

S. H. LOGAN, President

A. E. ARSCOTT, General Manager

571 Branches throughout Canada and other Countries

Branches outside Canada: SEATTLE; PORTLAND, ORE.; SAN FRANCISCO; LOS ANGELES; LONDON, ENG.; HAVANA; KINGSTON, JAMAICA; BRIDGETOWN, BARBADOS; PORT OF SPAIN, TRINIDAD; BELLOMOR AND ST. JOHN'S, NEWFOUNDLAND.

New York Agency: Exchange Place and Hanover Street

C. J. STEPHENSON } Agents.
N. J. H. HODGSON }

Main Street

(CONTINUED FROM PAGE 64)

LAURENCE E. ELLISON, cashier, First National Bank, Layton, Utah, and vice-president of the Utah Bankers Association, is also a cattle man.

His success in feeding white faced steers has caused him to be well known to all the cattle men in Utah and to be a prominent figure in all western markets. He is the only feeder west of Nebraska who has "topped" the Chicago market, the world's greatest, for an entire year.

Recently he received the coveted Silver Beaver for distinguished service to boyhood. He is a director of the Layton Sugar Co., is interested in a large cattle and sheep ranch in Nevada, and in a milling business in Canada. He also is president of the Salt Lake Union Stockyards.



MILLS B. LANE, chairman of the board of the Citizens & Southern National Bank, Savannah, Ga., has been honored by having a newly paved highway entering Savannah named for him.

The Board of Chatham County Commissioners adopted a resolution stating that Mr. Lane has long been "one of Savannah's most generous and public spirited citizens . . . particularly interested in the development of good roads in Georgia."



DURING the past year the number of out-of-town checks handled daily by our transit department has increased 40% over the previous year.

Part of this increase may be the result of a quickening of the general business pulse. But mainly we think it is because more and more banks have learned through experience that our service cannot be excelled for efficiency and speed.

... THE ...

PHILADELPHIA NATIONAL BANK

ORGANIZED 1863

PHILADELPHIA, PA.

Capital, Surplus and Undivided Profits

\$43,000,000

Member of Federal Deposit Insurance Corporation



G. C. FIELD, cashier, Farmers State Bank, Offerle, Kansas, is shown with specimens of fishing tackle he makes for friends during leisure hours

Efficient Lighting

General Electric Lighting Division held an "Editorial Conference on Lighting" at Nela Park, Cleveland, Ohio, a few weeks ago. The material below was gleaned from talks by scientists and lighting engineers who are devoting their entire time to the study of lighting problems.

THE work any bank does is as efficient as is its housekeeping—its records, machines and other tools of the trade. However, the direct returns from the use of physical equipment are definitely stepped up when the proper attention is given to correct lighting.

Man was made for the out-of-doors—a creature of "distant vision". As civilization developed, more and more of the day's work was done in-doors, and man became the slave of "near vision". Modern lighting aims to aid man in this transition, and today artificial light, instead of merely banishing darkness, becomes a real competitor with daylight.

There are in every bank real opportunities to save fatigue, improve efficiency, render a better job of public relations and further reduce errors by a check-up of present lighting installations in lobbies, in private offices, on the officers' platforms, in tellers' cages, vaults and safe deposit departments, to say nothing of the work rooms—unseen by the public for the most part—but a vital zone in each bank.

Practically every bank has real estate other than that occupied by the banking rooms. It may consist of the bank's office building or other properties owned outright by the bank or operated under trust arrangement or on some other basis. These properties cover the full category of structures from factory buildings, theaters and office buildings to apartments and homes. These properties have to earn a reasonable income for the bank, or be ready for sale when the opportunity presents itself. Ample lighting is a very important factor in keeping tenants satisfied and in attracting desirable occupants.

Fluorescent lights have certain qualities which make them well adapted to particular uses. They allow a wide use of color and offer a very close approximation to daylight, as well as a so-called white light. These faculties are particularly important when colored lighting effects are desired or when efforts are made to display merchandise in their true colors.

The approach to lighting problems by the banker should not be wholly from the point of view of cost, but rather from the viewpoint of making working conditions as nearly perfect as possible. The returns in the efficiency of the bank's staff will more than compensate.

ROBERT W. KNEEBONE
Western Advertising Manager of
BANKING, Chicago, Ill.

THE PUBLIC NATIONAL BANK AND TRUST COMPANY OF NEW YORK

Service—Maintaining an intimate, personalized correspondent bank service.

Experience—Officials with years of service in this field, assuring a knowledge of requirements and valuable assistance.

Policy—To cooperate with out-of-town banks rather than compete for business which is rightfully theirs.

Resources over  \$170,000,000

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FEDERAL DEPOSIT INSURANCE CORPORATION

The Riggs National Bank

OF WASHINGTON, D. C.

welcomes the opportunity to be of service to
bankers and their clients in the
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Complete Banking and Trust Service

ROBERT V. FLEMING

President and Chairman of the Board

GEORGE O. VASS

Vice President and Cashier

Resources over \$125,000,000

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LIQUIDATE YOUR JEWELRY

We will buy any jewelry you may have on collateral, or as executors of estates etc., regardless of the amount involved.

If immediate action is desired, send your merchandise to our bank, The Pilgrim Trust Co., Boston, Mass. (Attn: Collection Dept.) and our cash offer will be wired to you. If offer is unsatisfactory, goods will be returned immediately by our bank with insurance coverage on all shipments.

If you wish our representative to contact you personally or desire further details, please write or wire us.

GORDON BROTHERS 18 Province St.
Boston, Mass.

The Index to Volume XXXII of BANKING, a handy reference to American banking and business development, is now ready for distribution. Copies are available free to subscribers on request.

ASK BANKING



Following is the question that wins the \$5 award this month



What should be the ideal ratios for the distribution of the assets of a commercial bank?

THE ability to meet all depositor demands governs the investment of

bank funds. These demands will vary in different banks and in different times. A much greater degree of liquidity is needed in time of financial stringency than in so-called normal times. Even in these normal times the demands of depositors will vary in different banks.

Analysis of the deposit structure is, therefore, the first requisite in the planning of investment policies. This means that the deposits must first be

divided between demand and time and then further separated according to the variations within those classifications.

When those deposits have been segregated the probable demands of the general run of accounts can be ascertained by computing the turnover. It is for these reasons that no blanket rule can be adopted for all banks. As a suggestion, however, the following ratios are given:

	DEPOSITS	
	Demand	Time
Cash reserves.....	25%	8%
Government securities.....	15	20
Call money, commercial paper	3	2
Secondary reserve bonds.....	7	10
Investment bonds.....	5	5
Loans and discounts		
Demand, collateral.....	7	5
Demand, plain.....	5	-
Time, collateral.....	10	5
Time, plain.....	15	-
Instalment repayment.....	8	20
Real estate mortgages.....	-	25

It is fundamental that none of the deposits can be invested in such assets as banking house, other real estate or other assets of that nature.

Timely Warning



Drive carefully *always* — and with the protection of good automobile liability insurance. For in spite of precautions, accidents do occur. And when they do . . . you will appreciate the value of adequate insurance against bodily injury and property damage claims.

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Consult your nearby Standard agent or broker.

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WHEN bonds are purchased for the bank's investment account, are entries on the books deferred until the bonds are actually delivered, or is there any prevailing practice of making entries when a firm confirmation of the transaction is made by the broker or correspondent, without waiting for delivery of securities? Which is recommended?

THE ENTRIES are made from the confirmations at the time confirmations are received. The bank has given an order and that order has been executed, and there is the liability which must be reflected on the books. The fact that the physical delivery of the bonds may not be made for a few days or a week does not change that liability. Also, the correspondent bank or broker has debited the purchasing bank's account when the confirmation was mailed.



Prizes Every Month!

Each month \$5 will be paid for the best question submitted to this department, and \$2 will be paid for all other questions answered here. Generally, the questions should be related to bank methods and operations. Only questions of general interest will be answered.

Answers will be given by E. S. WOOLLEY, who conducts the department, and other operations authorities of BANKING.



BANKING

A Factory-Farm-Bank Program

A PRACTICAL educational movement, with industry, agriculture and banking cooperating, was launched early this year when the National Farm Youth Foundation was established by the Ferguson-Sherman Manufacturing Corporation, with the assistance of Henry and Edsel Ford, in which local bankers and industrial leaders are participating in an advisory capacity.

The purpose of the NPYF is to revitalize agriculture and to stimulate the sale of Ford tractors and Ferguson-Sherman farm implements through a study course known as "Farm Engineering and Management."

On the subject of agriculture, the founders said: "Farming is one of our oldest occupations. Since the beginning of civilization, farms have given us food, clothing, and shelter, the three prime essentials of life. The great advances made by manufacturing have not changed that very much. In fact industry itself is coming to depend more and more upon the land for its raw materials.

"In these recent troubled years, we have heard a great deal about plans for revitalizing agriculture. So many diverse schemes have been evolved and tried . . . and with so little real success, that we are forced to conclude there has been a lack of genuine agricultural leadership.

"We at Dearborn cannot rid ourselves of the old-fashioned idea that leadership must come, not from the political platform, but from the land itself, from the young men of farms, who have their roots in the soil."

To accomplish this end—the development of leadership among farm youth—the founders, in association with the LaSalle Extension University, designed its study course to extend over a 24-week period, with evening meetings held every fortnight.

This training is now being given to 10,000 young farmers between the ages of 18 and 25 in 1,100 cities at no cost to them. Applicants must qualify as to character, ambition and industry, and must be willing to give of their time and energy.

Admission to the study groups is on the recommendation of local Ford dealers, cooperating with bankers, industrial leaders and professional men. These men attend lectures and field meets to advise and encourage students.

The entire course for each group costs \$136. Local dealers pay \$15 a student to help defray this expense.

The NPYF groups are arranged in zones comparable to the founders' 29 branch distributing areas and prizes are awarded at the end of each training period to students in each zone. The first prize offered in each area is a \$150 a month job at the Dearborn plant of the

Problem 8

Farmer "A" goes in debt to construct a modern farm home. He insists that his wife needs a modern house, even more than he needs a modern barn and farm layout. Farmer "B" says the barn and the farm must pay for the modern house. "We'll get along with the old house until we can pay for it out of the earnings of the farm."

Does "A" or "B" make the wiser decision? (Explain the reasons for your answer.)

B makes the Wiser decision

It is not wise for a man to go so deep in debt, unless he is positive that he can meet his obligations. It is more economical to let one project help pay out another. B would be putting himself in a position where he can see out into the future. If B's house is rundown he should have been wise and repaired it at the right time. Good reasoning.

Problem 9

Sketch a field layout of your farm or town with which you are familiar, marking the dimensions and

T. C. RICHARDSON, JR., Abilene, Texas, made a grade of 94 on the LaSalle University practical training assignment from which this question and answer was taken

Ford Motor Company, where students will be given specialized training in tractor manufacturing and sales. The second prize is a \$125 a month job with each of the 29 branch distributors. The next 750 students will be placed on a reserve list for future consideration.

Near the end of the class term, students will compete in regional contests to show their proficiency in the use of farm equipment. At each of the 29 sectional meets, the winners will be awarded tractors, each equipped with a Ferguson two-bottom plow.

The course of instruction includes these general topics: (1) The Business of Farming, (2) Managing the Farm Plant and Equipment, (3) Soil and Crop Management, (4) Profitable Management of Farm Operations, (5) Handling Labor on the Farm, (6) Profitable Use of Farm Machinery, (7) The Modern Tractor on the Farm, (8) Managing the Money Problem, (9) Farm Records as Aid to Profitable Management, (10) Profitable Marketing of Farm Products, (11) Legal and Economic Factors in Farm Management, and (12) Salesmanship and Personal Success.

Coincident with attendance at lectures, students are required to answer questions covered by written assignments, which are sent to LaSalle University for correction and grading.

The founders of NPYF see untold benefits accruing on all sides as a result of this training program for farm youth. They foresee the development of new leaders not only for agriculture, but for industry and banking as well.

They "look beyond the actual, practical details of the working of the Foundation and see a new thing beginning to happen in our rural communities. (They) see ambitions gratified, needs filled, leadership in the making. (They) see young men with heads up, families with new hope, local business with new inspiration. (They) see the good land improved by better men. (They) see a new and better America."

Several scores of bankers, cooperating with the Foundation, have commented favorably to BANKING on the aims of the National Farm Youth Foundation.

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Editorial leadership is a good yardstick for measuring the advertising value of a magazine . . . BANKING gives you this leadership in full measure!

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and now . . .

BANKING cooperates in the publication of the American Institute of Banking BULLETIN . . . which offers to alert advertisers, four times a year, an established 96,000 paid circulation among the bankers of today *and* the bankers of tomorrow.

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BANKING

*Journal of the
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LOS ANGELES



How to keep your money from vanishing into thin air

WHERE DOES the change from your dollar bills go? If you are like most people, it disappears unaccountably. Half dollars turn into quarters . . . quarters become dimes . . . and the dimes vanish into thin air

For all you know, you may be spending this money wastefully. But because it is only change, you don't worry.

But do this: Compare what you have today, with what you have *earned* in your working years, and you will realize *how much of your money has vanished*. You will realize, suddenly, that you could and *should* have made a good start toward accumulating money for your future.

And like thousands of others, you will ask yourself, "Where does my money go?"

If you sincerely try to find the answer,

you are taking the first step toward a more abundant future.

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Investors Syndicate, through many, many years of success in helping people accumulate money, has learned this to be vital: To make the most of your income—the first thing to do is to find out *where your money goes*.

If you make a regular and adequate income . . . if you *want* to accumulate money but don't seem to be able to . . . send today for the Investors Syndicate booklet, "Living" Expenses. Not a budget book, but a simple, easy way to find out *where your money goes*.

This is the first—the *most important* thing to do if you want to accumulate money. Mail the coupon with 10c for your copy, to Investors Syndicate now!

Home Office, Minneapolis, Minn. Affiliates: Investors Syndicate Title & Guaranty Co., New York; Investors Syndicate, Limited, Canada

INVESTORS SYNDICATE *LIVING PROTECTION*
ESTABLISHED 1894

INVESTORS SYNDICATE
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Name..... Age.....
Address.....
City..... State.....

Please send me your new booklet "Living" Expenses. Enclosed is 10c to cover cost of handling and mailing.

This advertisement is typical in character of a series sponsored by Investors Syndicate and now appearing in national magazines.

★ ORGANIZATION ★

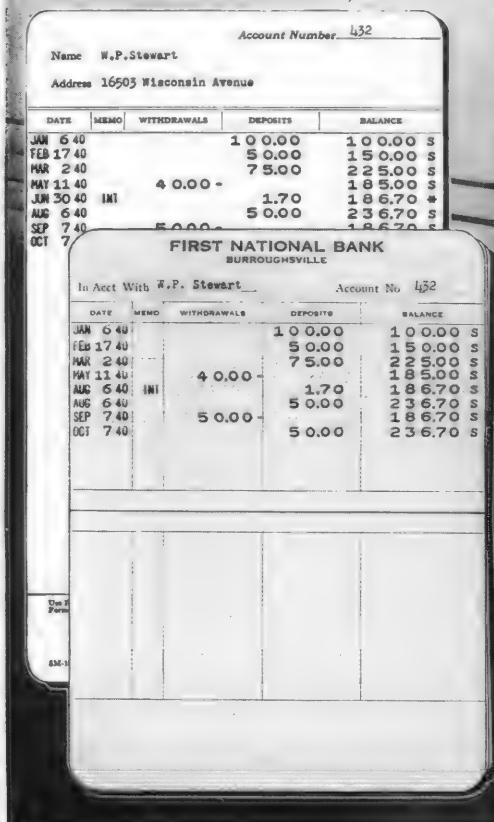
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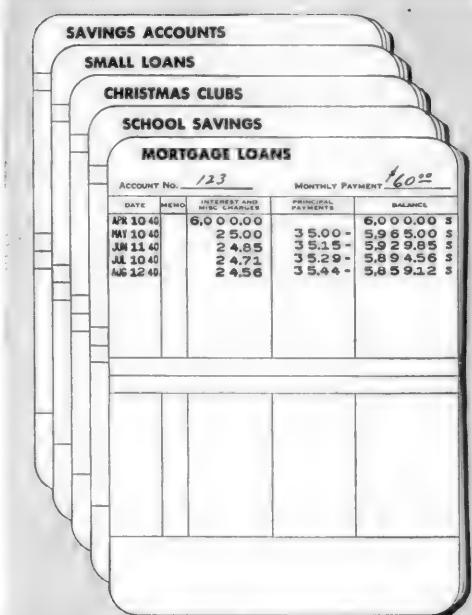
This low-priced window-plan machine is one of the most recent Burroughs developments. It posts any type of passbook, including savings, small loans, Christmas clubs, school savings and mortgage loans.

Of course it provides such standard Burroughs features as compactness, speed, ease of operation, and the Burroughs bank keyboard. And it is so much lower in price than any other window-plan machine that any bank may now have one at each savings window regardless of fluctuating volume and peak periods. Due to its flexibility, it may also be used for any adding or subtracting work in the bank.

For complete information, telephone your local Burroughs office. Or, if more convenient, write direct to—

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Burroughs



Your Association

A MESSAGE FROM PRESIDENT HOUSTON

IT IS, you know, *your* Association. I think sometimes we bankers need to be reminded of that. It isn't the President's Association, or the Administrative Committee's Association, or any group's—it's yours. You in the two Portlands, you in Houston, you in Minneapolis, you in Four Corners are the American Bankers Association.

The work of the Association has been going on for many years, through good times and bad, through war and peace, through depression and recovery. In every instance of crisis bankers have acquitted themselves with quiet courage and earnestness, emerging with well-earned additions to their public service record. There is no reason to doubt that they will do their job in the same spirit today, and that they will give their best toward solving the extraordinary problems facing us.

★ ★ ★

To many of us, national defense on a massive scale is a new experience. Convinced of its necessity, we are nevertheless a bit awed by the proportions of our preparedness program. Perhaps we have not yet become accustomed to thinking in terms of modern warfare.

But to one thing we are accustomed, and that is work. In the World War, you remember, the slogan was "Do Your Bit."

We'll do it again. We'll help finance the defense business to the best of our ability; we'll be ready with our counsel and our manpower; we'll get into action and promote the sale of national defense bonds, wherever that method of financing is used.

Ours may not be the most spectacular form of public service; we don't make guns or armor plate or planes or battleships, and most of us don't drill or fly. But we stand ready, with the resources and credit required to support the men who, with their hands and machines, do these vital things.

In serving, let us remember that we also have a heavy burden of responsibility in seeing to it that the defense expansion is healthy, as far as lies in our power.

As President of the Association this year I want to carry on with increasing vigor the work inaugurated by my predecessors. As I said at Atlantic City, there are two objectives on the A.B.A. calendar for the current Association year: "Improved Banking Service Through Effective Cooperation" and "The Bank and Community Development." This platform envisages not only a constructive approach to our professional, technical work, but also a broad, long-range view of our social and economic function.

Much is being done along these lines. Through our officers, commissions, councils, committees, divisions and sections, through the efforts of individual bankers and headquarters staffmen, we are engaged in a far-

flung service effort designed to make the Association useful to every bank and, through the banks, to the public.

Perhaps a glance at some of these activities will jog our minds as to the ramifications of the A.B.A. program.

As everybody knows, the Fort Worth regional conference on December 5 and 6 is the first in the series of three similar opportunities bankers will have to talk over their affairs and mutual interests during the next few months. There is another conference in New York on March 5, 6 and 7, and a third on March 20 and 21 in Louisville. The value and importance of these meetings is too well known to require comment here.

May I, however, urge a large attendance. I am sure every banker who goes to the conference serving his district will feel well repaid.

Also in December comes a somewhat new type of meeting—a real estate mortgage clinic. Held in Cleveland December 12 and 13, this gathering is expected to attract bankers from Ohio, Michigan, West Virginia and Pennsylvania. Its purpose is to discuss mortgage problems in a practical way, and I'm confident that it will be a useful service. Smaller meetings were held early this year in a few New England cities, with such success that we decided to enlarge the scope. We're expecting a large attendance at Cleveland.

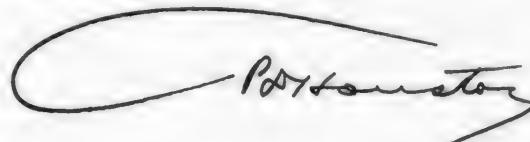
Our membership situation, I am happy to report, is most favorable. The Committee was able to make an early start, and, by the middle of November, its work was further along than it had been for several years. I think we may anticipate continuation of this progress.

★ ★ ★

Of many Association activities there is not room to speak. May I suggest that you keep in touch with developments from month to month in the Organization Section of *BANKING*.

I have mentioned again the two objectives of our program this year. In closing I should like to add one more—UNITY. We must be in step with each other and with the stirring events of our era.

In furtherance of all these ends I am asking the co-operation of every banker in America. Unity in thought and action is the answer to most of banking's problems today. Let us stand together because there is only one possible harvest of discord and that is the failure of our effort, the weakening of our economic system—the jeopardizing of our American Way.



Seeing How Checks Are



BROWN BROS.

Above, New York Clearing House as it operates in 1940. Each member bank has a desk manned by a settling clerk. Delivery clerks from these various banks move left around the circuit, leaving behind checks presented to their banks for payment but drawn on other member banks. Today, the New York exchange handles approximately 53 per cent of all bank clearings in this country



HARRIS & EWING

Elevator Operator
JACK RILEY with
NORMAN DYKES,
clerk, at messenger's entrance of
Clearinghouse. Mr.
RILEY, during 33
years at his post,
has seen many be-
ginners climb the
banking ladder of
success

Below, LEROY S. CLARK, assistant treasurer, Marine Midland Trust Co., of New York, and instructor in Bank Organization for New York Chapter, introduced the Clearinghouse's assistant manager, G. RUSSELL CLARK, to the A.I.B. visitors



HARRIS & EWING

FACULTY members and students of New York Chapter, American Institute of Banking, numbering 125, visited the New York Clearing House recently for a close-up view and explanation of the mechanics of check clearance. G. R. CLARK, assistant manager of the clearinghouse, guided the group through the exchange, after which he outlined to his guests the early history, evolution and present-day procedures of the New York Clearing House Association. Mr. CLARK's remarks follow:



The origin of the clearinghouse idea as applied to banking is traceable to The Bankers Clearing House in London in the year 1773. The suggestion of ALBERT GALLATIN, ex-Secretary of the Treasury and Minister to England, to his New York banking colleagues undoubtedly paved the way for the formation of the New York Clearing House Association in 1853. The need for such an organization became increasingly apparent as the number of banks increased from 24 to 57 between the years 1849 and 1853, emphasizing the desirability of a more prompt settlement of balances between the banks.

The first exchange was held at 14 Wall Street on October 11, 1853, the exchanges amounting to \$22,600,000. This compares with a present average daily exchange of \$521,000,000. The largest exchange on any one day was made October 31, 1929, in the amount of \$3,853,000,000.



At the present time the Clearinghouse is operating on a 24-hour schedule of service to its members. To review briefly some of the exchanges in which member banks participate, we shall imagine ourselves as being in the Clearinghouse at 5 p.m., at which time the night exchange department is open for business. The Clearinghouse is ready to accept packages of checks from member banks until 2 a.m., which packages are to be distributed, upon proper receipt of authorized employees, to the drawee member banks between midnight and 9 a.m. This, as you can see, is of great assistance to all the member banks and expedites the handling of such items and the leveling of peak periods. The volume of checks handled through this exchange amounts to 65 per cent of the total daily exchanges which pass through the Clearinghouse.

At 8 a.m. daily the members assemble on the exchange floor and again exchange packages of items which have been received since the deliveries were made to the midnight exchange. This is followed by another exchange at 9 a.m. composed of mail items received from the post office during the night, and night deposits.



At 10 a.m. the final exchange covering the previous 24 business hours takes place. The authorized representatives of the banks take their places at the desk allotted to their institutions, the delivery clerk in front of the desk with the

Cleared

Right, New York Clearing House in 1858—five years after its founding—when but about 60 clearing banks used its facilities and it took only six minutes to make the exchange. Today 412 banks, trust companies and branches clear through it



Above, left, check clearing at the New York Clearing House had increased manyfold by 1908, when this photograph was made; above, right, A.I.B. faculty and students watching the Clearing House in action from the balcony overlooking the floor



HARRIS & EWING

packages all arranged in numerical order, ready for delivery, and the settling clerk behind the desk with his sheet on which are recorded the amounts to be presented to other members. He will record thereon the amounts received from the other members. Each bank representative has notified the Clearinghouse proof clerk of the total amount brought by his institution, on arrival. When the gong is sounded, opening the exchange, the delivery clerk of each bank moves to the desk of the bank at his left, delivers the package and obtains a receipt; he also deposits a small confirmation ticket, which is of assistance to the settling clerk in checking and arriving at a proof. The delivery clerk continues to move to his left, repeating this operation, and eventually is back at the desk of his bank with all packages delivered and receipts taken therefor.

In the meantime, the settling clerk has been recording incoming packages on his settlement sheet. He strikes a total of the amount received, and the balance or difference between this amount and his amount brought, either debit or credit, as the case may be, is furnished to the Clearinghouse proof clerk, who tabulates the totals on a sheet, and when proof has been made and announced, the clerks are dismissed.

❖

Fines are imposed for mistakes not discovered within 25 minutes after the commencement of the exchange. The scale of fines also provides penalties for settling or delivery clerks late, wrong delivery of exchanges, missent items, et cetera.

The balances are certified to the Federal Reserve Bank by the manager of the Clearinghouse, the Federal Reserve Bank making the necessary adjustments through the accounts of the member banks on its books. By 1 p.m. each day the Federal Reserve Bank confirms to the Clearing-

house that the necessary entries covering the balances so certified have been made.

❖

While the 10 o'clock exchange is going on, member banks are depositing in the city collection department items drawn on the 105 institutions comprising the list of members of this department. These represent foreign banking houses, investment brokers and bankers, railway and insurance companies, et cetera. This enables our member banks to send all items which are payable by these institutions to a central point and receive payment in one check. The packages are delivered to authorized representatives of the members drawn on, and payment is made by certified check to the Clearinghouse by 1:30 p.m. for the items so received. These checks are used as offsets against the due bills given to member banks upon depositing these items, and the due bills and checks are cleared through the 10 a.m. exchange the following morning against the city collection department.

At 3 p.m. daily (except Saturdays) the return item exchange takes place and at this time all checks which have been presented through any of the foregoing exchanges and are not paid are returned by the receiving bank, which also has the right to return by hand before this hour. Certain items which have been presented to branches of members located some distance from the Clearinghouse may be returned, after notice has been given in this exchange to the presenting bank, through the 2 a.m. exchange the following morning.

❖

We have each day at the Clearinghouse three exchanges for stock certificates, on which the member banks are acting as transfer agents or registrars. At 8:30 a.m. transfer

agents deliver stock certificates to the registrars for registration. There is no proof taken, the certificates merely being securely tied in bundles and marked with the names of the delivering and receiving banks. At 10:45 and 11:30 the second and third sessions of the stock certificate exchange take place and at these hours the registrars return registered stock certificates to the transfer agents.

At 9:15 a.m. daily an exchange of coupons, which are payable at the various member banks, is held. The coupons are sorted into envelopes with the name of the paying bank, and are presented in the regular clearing manner and receipts taken, which are redeemable through the 10 a.m. exchange of the following day. An average of approximately \$2,000,000 daily is handled through this exchange. The Clearinghouse is advised by its members as to the coupons for which they act as paying agents and a monthly directory is compiled to assist the members in handling these coupons.

*

At the present time items on 19 member banks and their 388 branches, in addition to the Federal Reserve Bank and

the city collection department of the Clearinghouse, are cleared. There are also three banks and trust companies, known as clearing non-members, making exchanges through members, thus making a total of 412 banks, trust companies and branches whose items are cleared through the New York Clearing House.

There are 285 reporting clearinghouses in the United States; the clearings of the New York Clearing House represent about 53 per cent of the total clearings for the entire country.

*

The foregoing schedule of operations, as may be seen, is an active and efficient one for an institution which has for 87 years fulfilled the objects mentioned in its constitution, namely: "the effecting at one place of the daily exchanges between the members thereof and the payment of the balances resulting from such exchanges, the promotion of the interests of the members and the maintenance of conservative banking through wise and intelligent cooperation."

Below, left, Assistant Manager CLARK explains forms used in making clearinghouse proof. *Standing, left to right*, FRANCES CARLSTADT, Chase National Bank; MARJORIE DARLING, National City Bank; PETER ATHOS, Bank of Athens Trust Co.; ROBERT CIPPER, Irving Trust Co.; FRED RENTER, United States Trust Co.; Mr. CLARK, and LAWRENCE CONNOLLY, Irving Trust Co. *Below, right*, NORMAN GAFFREY explains forms and routine to another student group



Below, left, Mr. CLARK giving an outline of the history and functions of the New York Clearing House to A.I.B. faculty and students. *Below, right*, following Mr. CLARK's address a student clarifies moot points in clearinghouse procedure



Financing Industrial Evolution

Everlastin' Teamwork

"It's not the guns or armament
Or the money they can pay.
It's the close cooperation
That makes them win the day.
It's not the individual
Or the army as a whole,
But the everlastin' teamwork
Of every bloomin' Soul."
... is the way Kipling said it.

Six Months Full

WE HAVE travelled a dizzy circle since last June when the big question was, who will finance defense, Government agencies or the banks? There were quite a few persons in Washington at that time who saw in all the excitement of the expansion program chiefly a chance to give the socialization screw another twist or two. Depend on it, these people are still on the job.

In the main, however, Government officials were fully aware then, as they are now, that it is preferable from every point of view for the nation's banking system to do the job.

Some Dates

THE transition from Banks-Can-Do-It to Government-Must to Somebody-Do-Something and back again, around and around, has been pretty rough going for all concerned. The whole question has been knocked around in a way that has done the defense program no good whatever.

Starting back in June, on the 20th of that month the Reconstruction Finance Corporation gave the Wright Aeronautical Corporation a commitment for \$55,000,000 and five days later the President approved the act authorizing the RFC to finance directly, or through corporations formed for the purpose, the buying of strategic materials and the purchase or lease of plants and land for defense purposes.

On the same day as the RFC received its augmented lending powers, the nation's debt limit was raised by \$4,000,000,000. On June 28 the Navy was authorized to advance 30 per cent on its contracts and on July 2 the same action was taken with reference to army contracts.

On July 1 Jesse Jones, in his capacity as Federal Loan Administrator, announced the formation of the Rubber Reserve Company and the Metals Reserve Company, each with \$5,000,000 subscribed by the RFC.

On July 16 C. F. Palmer was appointed Housing Coordinator under the defense council and a few days later said: "In doing the job, one primary objective will be to encourage the use of private capital."

On July 26 the RFC authorized a loan of \$92,000,000

to the Wright Aeronautical Corporation, superseding its commitment of the previous month.

On September 25 the Federal Reserve disclosed the results of a survey indicating that the banks of the country were ready to lend at least \$3,000,000,000 for defense plant construction.

The President approved on September 26 an act increasing the borrowing capacity of the RFC by a billion and a half dollars, one third of which was intended for the expansion of Export-Import Bank activities in this hemisphere.

On the 8th came approval of the excess profits tax bill with its important amortization feature and the next day the act permitting bank loans on Government contracts was signed by the President. On the 10th the NDAC was ready with a revised draft of the Emergency Plant Facilities Contract.

About two weeks later came an important step in this process, when the NDAC appointed Donald Nelson director of small business activities with the cooperation of the Federal Reserve System. The purpose of this is to bring small and medium sized industries throughout the country within the scope of the defense program.

And Then

ON November 18 Federal Loan Administrator Jesse Jones published a letter that he had sent to the War and Navy Departments. In it he said, "It is desirable that banks finance as much of the defense program as they can handle properly, but—". The letter went on to say that the RFC would arrange financing of such loans at an interest rate of 1½ per cent in cases when reimbursement is guaranteed, while on defense financing that is not guaranteed the RFC would lend money at an interest rate of not more than 4 per cent. Whack!

One-Horse Teamwork

"How OLD is that horse, my friend?" inquired Mr. Pickwick, rubbing his nose with the shilling he had reserved for the fair.

"Forty-two," replied the driver, eying him askance.

"What!" ejaculated Mr. Pickwick, laying his hand upon his notebook. The driver reiterated his former statement. Mr. Pickwick looked very hard at the man's face but his features were immovable, so he noted down the fact forthwith. The driver went on to tell the perplexed Mr. Pickwick that the horse was seldom, if ever, given a chance to rest.

"He always falls down when he's took out of the cab but when he's in it we bears him up very short so that he can't very well fall down and we've got a pair of precious large wheels on so when he does move they run after him and he must go on—he can't help it."

The Cost of School Savings

COMPARATIVE STATEMENTS ANNUAL COST OF OPERATING SCHOOL SAVINGS DEPARTMENTS

	Bank No. 1			Bank No. 2		
Average school savings deposits.....	\$15,036.38			\$32,584.85		
Number of school savings accounts.....	1,487			2,985		
Population of community.....	3,290			25,228		
EXPENSES:	Cost Per \$1,000 of Deposits	Cost Per Deposits	Account	Cost Per \$1,000 of Deposits	Cost Per Deposits	Account
Salaries.....	\$1,006.40	\$ 66.90	\$.68	\$1,167.00	\$35.80	\$.39
Service company, if any.....				270.00	8.28	.09
Advertising.....						
Stationery and supplies.....	207.75	13.76	.14			
Carfare and auto expense.....	50.00	3.32	.03	106.00	3.25	.04
Postage.....	2.60	.13	.001	7.00	.21	.005
Insurance expense.....	12.65	.80	.001	20.00	.61	.007
Repairs and maintenance.....	10.00	.66	.007	20.00	.61	.007
Examinations.....						
Miscellaneous.....	75.00	4.92	.05	150.00	4.91	.05
Rent.....	50.00	3.32	.03	100.00	3.07	.03
Depreciation.....	50.00	3.32	.03	100.00	3.07	.03
Total expenses.....	1,464.40	97.36	.98	1,940.00	59.60	.61
INTEREST PAID.....	186.05	12.30	.12	586.27	10.71	.20
TOTAL INTEREST PAID AND EXPENSES.....	1,650.45	109.74	1.11	2,526.27	77.52	.85
Net credit for income earned on invested deposits.....				1,056.97		
NET COST.....	264.64					
	\$1,385.81	\$ 92.79	\$.93	\$1,469.30	\$45.08	\$.41

	Bank No. 3			Bank No. 4		
Average school savings deposits.....	\$56,934.29			\$109,624.09		
Number of school savings accounts.....	6,842			5,298		
Population of community.....	38,077			38,481		
EXPENSES:	Cost Per \$1,000 of Deposits	Cost Per Deposits	Account	Cost Per \$1,000 of Deposits	Cost Per Deposits	Account
Salaries.....	\$2,159.88	\$37.92	\$.32	\$1,610.28	\$14.68	\$.30
Service Company, if any.....				300.00	2.73	.05
Advertising.....	290.00	5.09	.04			
Stationery and supplies.....	525.65	9.22	.08	25.00	.23	.005
Carfare and auto expense.....	89.93	1.56	.01	97.50	.88	.02
Postage.....	11.88	.19	.001	4.00	.03	.0007
Insurance expense.....	45.53	.79	.01	170.00	1.55	.03
Repairs and maintenance.....	64.62	1.12	.01	12.20	.11	.002
Examinations.....						
Miscellaneous.....	443.10	7.78	.06	58.09	.53	.01
Rent.....	235.00	4.12	.03	428.00	3.90	.08
Depreciation.....	260.10	4.56	.04	30.00	.27	.005
Total expenses.....	4,125.69	72.45	.60	2,735.07	24.95	.51
INTEREST PAID.....	676.85	11.90	.10	2,055.45	18.74	.39
TOTAL INTEREST PAID AND EXPENSES.....	4,802.54	84.34	.70	4,790.52	43.70	.90
Net credit for income earned on invested deposits.....				2,595.00		
NET COST.....	2,001.38					
	\$2,801.16	\$49.20	\$.41	\$2,195.52	\$20.03	\$.41

Cost figures reveal that some banks spend more than necessary in their school savings activity. That is not to say that their systems should be abolished. If we take into consideration the benefits to society, the training of youth, the moulding of character, and the influence in building better citizens, it would be difficult to maintain that any system of school savings costs too much.

In many institutions school savings has been conducted as a privileged activity. A few years ago it would have been sacrilegious to talk about the cost of rendering this public service. Even today many bankers would hesitate to charge against school savings heat, light, electricity and other such items. But in these times when a bank considers every penny it expends, it might be well to find out just what have been the results of this generous treatment. Is school savings better off for having been so regarded, or should it have been put strictly on a business basis?

Some banks vote large appropriations for this activity. No matter how willing they are to spend this money (and some of them would spend twice what they are spending) nevertheless it is unfortunate. When a bank spends more than is necessary, school savings gets to be known as an expensive activity; the spread of school savings is jeopardized.

FROM time to time articles have been written on the cost of school savings but I have never seen one that showed all the costs. Usually these articles were presented in a defensive manner to prove that a school savings department need not be costly. But the zealots who wrote with the best of intentions destroyed their argument by obviously omitting certain items of expense.

So that the facts might be known, the Savings Division asked Driscoll and Millet, certified public accountants and bank analysts of Phila-

BY J. R. DUNKERLEY

Mr. DUNKERLEY is Assistant Secretary, Savings Division, American Bankers Association. The Savings Division has recently completed a cost survey of school savings departments in mutual savings and commercial banks. Some of the results are released for the first time in this article.

delphia, to set up a cost accounting procedure in order to get on a uniform basis the experience of many banks. Since this basis has been established it has been no easy task to find banks with records sufficiently adequate to furnish the information.

NEVERTHELESS the accompanying tables show the cost figures of eight school savings departments of various sizes and in different localities. There is no point in printing the figures of banks whose expenditures are out of line; hence none of the costs shown in these tables is excessive. Too much reliance should not be placed on cost per \$1,000 of deposits or cost per account. There are many factors such as location of bank, activity and the neighborhood of the schools which necessarily cause variations. Nevertheless, when one bank's costs greatly exceed those of another when conditions are similar, an investigation is recommended.

The charge for a service company may include all expenditures for advertising, stationery and supplies.

Carfare, auto expense and postage might be combined when making comparisons.

WHETHER or not the expenditures are justified depends entirely on the manner in which the school savings activities are conducted. If properly conducted, school savings can be a most effective public relations activity for a bank primarily interested in savings. Conversely, if a bank handles school savings as a nuisance, it is not only getting no benefits but is actually conducting bad public relations. In some cases banks should spend more for advertising and promotion in order to get the public relations value there is in this activity.

Copies of the cost accounting procedure may be procured from the Savings Division, and if by analysis you find your costs out of line the Savings Division will assist your institution in keeping these costs to a minimum.

COMPARATIVE STATEMENT
ANNUAL COST OF OPERATING SCHOOL SAVINGS DEPARTMENTS

	Bank No. 5			Bank No. 6		
	Average school savings deposits.....	\$413,956.00		\$601,470.40		
	Number of school savings accounts.....	20,210		46,117		
Population of community.....	284,063		442,337			
EXPENSES:	Cost Per \$1,000 of Deposits	Cost Per Account	Cost Per \$1,000 of Deposits	Cost Per Account		
Salaries.....	\$4,800.00	\$11.59	\$22.86	\$22.86	\$30	
Service company, if any.....						
Advertising.....			668.64	1.11	.01	
Stationery and supplies.....	850.26	.05	.04	1,052.16	1.75	.23
Carfare and auto expense.....	720.00	1.74	.03	498.51	.82	.01
Postage.....	63.30	.15	.003	6.20	.009	.0001
Insurance expense.....	743.56	1.79	.03	289.76	.48	.006
Repairs and maintenance.....	73.40	.17	.003	87.63	.14	.001
Examinations.....				67.36	.11	.001
Miscellaneous.....				549.96	.91	.01
Rent.....	600.00	1.45	.03	1,920.00	3.19	.41
Depreciation.....	616.66	1.49	.03	520.00	.86	.01
Total expenses.....	8,467.18	20.45	.42	19,409.82	32.27	.42
INTEREST PAID.....	7,472.45	18.07	.37	7,422.69	12.34	.16
TOTAL INTEREST PAID AND EXPENSES.....	15,939.63	38.51	.79	27,012.51	44.91	.59
Net credit for income earned on invested deposits.....	12,571.68			22,855.88		
NET COST.....	\$3,367.95	\$ 8.14	\$.17	\$ 3,976.63	\$ 6.61	\$.09

	Bank No. 7			Association A		
	Average school savings deposits.....	\$995,702.00		\$1,110,236.07		
	Number of school savings accounts.....	74,272		50,125		
Population of community.....	464,356		804,874			
EXPENSES:	Cost Per \$1,000 of Deposits	Cost Per Account	Cost Per \$1,000 of Deposits	Cost Per Account		
Salaries.....	\$15,774.00	\$15.84	\$21	\$20,064.29	\$18.07	\$40
Service company, if any.....						
Advertising.....			68.00	.06	.001	
Stationery and supplies.....	1,317.00	1.32	.02	2,873.88	2.58	.05
Carfare and auto expense.....	1,294.00	1.30	.02	608.80	.54	.01
Postage.....	50.00	.05	.0006	1,892.91	1.70	.04
Insurance expense.....	850.00	.85	.01	517.00	.46	.01
Repairs and maintenance.....	175.00	.17	.002	100.00	.09	.001
Examinations.....	60.00	.06	.0008	81.00	.07	.001
Miscellaneous.....	635.00	.63	.01	610.80	.55	.01
Rent.....	1,625.00	1.63	.02	2,500.00	2.21	.04
Depreciation.....				250.00	.22	.004
Total expenses.....	21,780.00	21.87	.29	29,566.68	26.63	.59
INTEREST PAID.....	17,773.00	17.84	.24	18,453.95	16.62	.37
TOTAL INTEREST PAID AND EXPENSES.....	39,553.00	39.72	.53	48,020.63	43.25	.96
Net credit for income earned on invested deposits.....	35,362.00			28,840.31		
NET COST.....	\$4,191.00	\$ 4.21	\$.06	\$19,180.32	\$17.40	\$.38

SCRAPBOOK



Above, left, CARL D. GANZ, cashier, Farmers & Merchants Bank, Alvo, Nebraska, president of the Nebraska Bankers Association; center, JOHN H. PAYNE, who resigned from the executive staff of the New York State Bankers Association to become secretary-treasurer of the Virginia Bankers Association, in Richmond; right, CHARLES Z. MEYER, comptroller, The First National Bank of Chicago, newly elected president of The National Association of Bank Auditors and Comptrollers

A dinner meeting sponsored by the Raleigh (N. C.) Clearing House Association launched Raleigh Chapter's A.I.B. Fall program. J. ARTHUR REAGAN, member of the A.I.B.'s Executive Council and vice-president and cashier of Peoples Bank & Trust Co., Rocky Mount, was chief speaker. He stressed preparedness, emphasizing the part education plays in preparing bankers to meet the changes in their profession. He urged a membership and class enrollment renaissance throughout the state, particularly in Raleigh. *Below, left to right, HAYWOOD W. HINKLE, of Wachovia Bank & Trust Co., and president, Raleigh Chapter; EDWARD A. WAYNE, secretary, North Carolina Bankers Association; G. P. GEOGHEGAN, Jr., vice-president, Wachovia Bank & Trust Co.; Mr. REAGAN; BEN R. ROBERTS, Durham, executive vice-president, Durham Bank and Trust Co., and president, North Carolina Bankers Association*





DUNKERQUE

(An extract from a speech by Dr. Harold Stonier, National Educational Director of the American Institute of Banking, as published in the July, 1940, issue of the Institute's Bulletin.)

I found this example of flagrant courage, for which I was looking, in an editorial. It is only 217 words long. It appeared last Saturday morning in "The New York Times." In view of the fact that many of you might have been on the train at that time, I am going to take, in conclusion, the opportunity of reading it to you. I hope it will do for you what it has done for me—bring back reality in the face of disaster. This little editorial of

Part of a page from the *New Zealand Banker*, just arrived, citing Dr. Stonier's address before the A.I.B. Convention in Boston last June. The editorial quoted by Dr. Stonier is given below

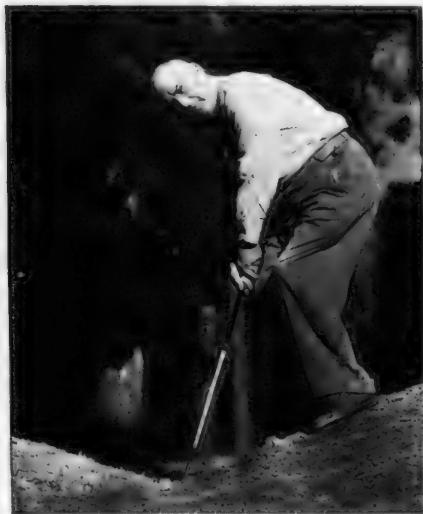
"So long as the English tongue survives men will always use the word Dunkerque with reverence. For in that harbor, in such a hell as never blazed on earth before, at the end of a lost battle, the rags and blemishes that have hidden the soul of democracy fell away. There, beaten but unconquered, in shining splendor, she faced the enemy.

"They sent away the wounded first. Men died so that others could escape. It is not so simple a thing as courage, which the Nazis had in plenty. It is not so simple a thing as discipline, which can be hammered into men by a drill sergeant. It was not the result of careful planning, for there could have been little.

It was the common man of free countries rising in all his glory out of mill, office, factory, mine, farm and ship, applying to war the lessons learned when he went down the shaft to bring out trapped comrades, when he hurled the lifeboat through the surf, or when he endured poverty and hard work for his children's sake.

"This shining thing in the souls of free men Hitler cannot command, or attain, or conquer. He has crushed it, where he could, from German hearts.

"It is the great tradition of democracy. It is the future. It is victory."



Left, ARTHUR J. MORRIS, founder of the banks that bear his name; right, RICHARD H. STOUT, president, Morris Plan Bankers Association, shown at Del Monte, California, while attending the Morris Plan's twenty-first annual convention



Action — A. I. B.

YOUNGSTOWN

Youngstown Chapter leaders felt members would be better bankers by knowing more about the area's chief industry—STEEL. So about 60 A.I.B.'ers journeyed to Sharon Steel's open hearth plant to learn first hand. They saw six 160-ton open-hearth furnaces in action and watched the smelting process to the end—ingots rolled into rails to be used for national defense



WASHINGTON—JACKSONVILLE

National A.I.B. President J. LEROY DART, vice-president, Florida National Bank, Jacksonville, right, was greeted by Chapter President EDWARD M. BLAIKLOCK, left, upon his arrival in Washington recently to attend an important function of the Washington Chapter

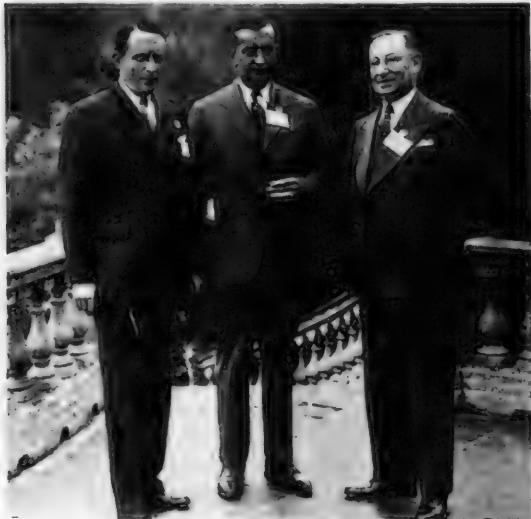
NEW YORK CITY

New York Chapter is sponsoring a series of industrial tours for its members, one of which was made to the industrial section of the World's Fair on Bankers' Day. The group is shown listening to their conversations being repeated via the steel tape recording device in the A.T. & T. exhibit. *Front row, left to right*, Chapter President CLINTON W. SCHWER, of Chase National Bank; JOHN ELBE, of Lincoln Savings Bank, Brooklyn, a former chapter president; MRS. CLINTON W. SCHWER; MISS MAY McCUSKER, of Irving Trust Co.; MISS HELEN CONNOLLY, of Chase National Bank



BANKING

F.A.A. Holds Convention



New officers were chosen by the Financial Advertisers Convention in Hot Springs, Virginia. *Above, left; left to right*, ROBERT J. IZANT, vice-president, Central National Bank, Cleveland, newly elected president; VICTOR CULLIN, assistant secretary, Mississippi Valley Trust Co., St. Louis, first vice-president; L. E. TOWNSEND, vice-president, Bank of America, San Francisco, second vice-president; *above, right*, STEPHEN H. FIFIELD, left, vice-president, Barnett National Bank, Jacksonville, retiring president of the F.A.A.; GUY W. COOKE, right, assistant cashier, The First National Bank, Chicago, a past president



Above, left, PRESTON E. REED, F.A.A. executive vice-president, receiving an engrossed scroll from retiring President FIFIELD in appreciation of his 16 years of service; *above, right*, LEWIS F. GORDON, assistant vice-president, Citizens & Southern National Bank, Atlanta, third vice-president of the F.A.A.; *left*, ROBERT M. HANES, president, Wachovia Bank & Trust Co., Winston-Salem, and former President of the A.B.A., and, *right*, Dr. HAROLD STONIER, Executive Manager of the A.B.A., who were among the speakers at the F.A.A. convention



ORGANIZATIONS AFIELD

JOHN J. McCANN, our reporter on "Methods and Ideas", gives below highlights on new developments in national, state and regional bankers associations and clearinghouse groups.

Standard Forms

THE CONSUMERS CREDIT DIVISION of the Iowa Bankers Association recently distributed a new set of standard personal loan contracts, designed to overcome the possibilities of attack from a legal standpoint on many of the various forms in use by member banks. The set included three types of personal loan notes: (1) unsecured instalment contract with form of guarantee"; (2) for savings collateral only; and (3) for savings collateral with provisions for using other additional collateral and/or a chattel mortgage.

Public Information

THE INVESTMENT BANKERS ASSOCIATION of America will supervise its recently inaugurated public information program through new offices at 400 Madison Avenue, New York City. National headquarters of the association will still be maintained in Chicago. Emmett F. Connely, president and chairman of the new committee, will direct operations with the assistance of public relations counsel.

Educational

THE OKLAHOMA BANKERS ASSOCIATION has announced a state-wide program planned to bring sound financial advice to more than 100,000 high school students. Five prepared talks will be made by a speakers' bureau composed of member bankers. The talks are intended to present banks and bankers in their true light and interpret proper financial guidance for young people.

Trust Group

A GROUP OF INDIANA banks and trust companies has formed the Indiana Trust Association to serve as a clearinghouse for matters involving trust departments of banks within the state. President of the new group is L. A. Lundquist, trust officer of the Old National Bank of Evansville.

Educational

AT THE REQUEST of the Wyoming County Home Bureau, the New York State Bankers Association will further the understanding of rural housewives on present-day banking methods and operations. A committee will work in cooperation with the Cornell University Extension staff and develop the program through

county home units throughout the state. This is believed to be the first concerted effort to translate the banking story in terms of the farm larder.

Group Meetings

MISSOURI BANKERS ASSOCIATION suggests a simple plan to bolster attendance at meetings. Since forgetfulness is *Number One* "ho-humer" for tardy members, the association distributed blotters containing a printed schedule of group meetings, place, time and date. These reminders were enclosed with program outlines and addressed to all members of the eight groups in the state.

Service Charge

A NEW SCHEDULE of service charges has been announced by members of the Cincinnati Clearing House Association. The ruling affects principally accounts under \$500 monthly average balance. For accounts under \$100, a 50 cent charge will be made, plus three cents for each item. A 25 cent charge is made on accounts from \$100 to \$199, plus the per item fee. No charge is made on balances above \$200 except the per item fee. However, balances between \$300 and \$399 earn five free items, and an additional five free items are allowed in accounts in the next \$100 class. Accounts over \$500 earn \$1.25 per \$1,000 per month, which is the equivalent of 2 per cent a year on average daily balances, less 25 per cent to cover legal, cash and bank reserve.

Film

THE NEW HAMPSHIRE BANKERS ASSOCIATION previewed its new educational film, *New Hampshire's Heritage*, at its annual convention. The film will make a circuit of regional meetings throughout the state and will later be available to individual members for school showings. The film story dramatizes the history, resources and industries of the state. It is in many respects a companion film to *Massachusetts On The March*, prepared by its neighbor association.

Manual

A REVISED EDITION of the *Manual of Uniform Practice* has been announced by the Savings Banks Association of the State of New York. The manual covers changes effected by revisions in the banking law, court decisions and numerous suggestions contributed by member banks. The objective behind this publication is: (1), to standardize procedure as far as possible and eliminate contradictions; and (2), to provide a reference manual to guide junior officers in carrying out the duties of their position, and to enable them to acquire a comprehension of other duties to which they may be temporarily assigned or permanently promoted.

Are You Keeping Up?

Test Yourself with These Questions by Eugene E. Agger

Dr. AGGER is Associate Director of The Graduate School of Banking of the A.B.A. and a member of the Rutgers University faculty. The page references are to this issue of BANKING.

1. What are the Federal Reserve banks doing to aid in national defense? (p. 15)
2. What is being done to help little business obtain defense loans? (p. 15)
3. In what way can an informed and alert bank director in a small industrial community be of help to the defense program, to his community and to his bank? (p. 18)
4. In what way can a rural bank director be of similar service? (p. 18)
5. Why is there a definite tendency to spread defense production widely over the country? What opportunity does this present to a local bank director? (p. 18)
6. What difference do you think it makes whether new defense plant construction is financed by the RFC or by the banks? If the banks take over the task what responsibilities fall on bank officers and bank directors? (p. 18)
7. What was the experience of the Canadian banks in connection with Canada's part in the war? (p. 18)
8. What considerations other than purely business or economic are now affecting industrial location? (p. 20)
9. What are some of the advantages accruing to industry from decentralization of plants? (p. 20)
10. What is the meaning of the statement that an upward trend in bond prices and an increase in deposits "may have covered up mistakes" in a bank's investment policies? (p. 22)
11. If a bank were planning to reduce the rate of interest on savings deposits why should this be taken into account in determining investment policies? (p. 22)
12. If interest rates were expected to rise how would this affect the question of *holding* excess cash versus *investing* it? What are some of the reasons given to support the contention that interest rates will rise? (p. 22)
13. Why should it be claimed that if a bank's capital protection is inadequate the bank should be pretty wary about investing all its excess cash? (p. 22)
14. In what way is capital protection involved in the question of investment position and loan expansion? What bearing would a continued expansion of deposits have on the matter? (p. 22)
15. In what way does the expected use of profits to be derived from the sale of U. S. securities affect the question whether to sell the securities and take the profits in the first place? May a tax liability reduce the net gain? (p. 22)
16. Why is a "yardstick" necessary in the determination of fees to be paid to banks acting as trustees in corporate reorganizations? (p. 24)
17. What effect has the suppression of so-called "protective committees" had on the scope of the responsibilities of mortgage trustees in corporate reorganizations? (p. 24)
18. By what amount has counterfeiting decreased in the last three years? (p. 25)
19. What steps has the Secret Service taken in its war on counterfeiting? (p. 25)
20. Why would a financial statement by the borrower be of little use in consumer credit? (p. 27)
21. Why is character more important in consumer credit than income? (p. 27)
22. Is home ownership always an evidence of stability in consumer credit? (p. 27)
23. What has been the experience of the Washington Irving Trust Company in the FHA-insured mortgage field? (p. 30)
24. What are some of the important aspects of the system it employs in this business? (p. 30)
25. How may banking be favorably affected by a factory-farm educational program? (p. 69)
26. What help can bankers give to the defense program? (p. 75)
27. What does President Houston mean when he says that the A.B.A.'s program is a "constructive approach to a broad, long-range view" of banking's "social and economic function"? How would you describe that function? (p. 75)
28. What are some of the steps being newly undertaken to educate the public concerning the part banking plays in promoting the community's welfare? (p. 86)

INDUSTRY. To keep a large contingent of workers well fed, the Wright Aeronautical Corp., Paterson, N. J., maintains three cafeterias and 12 mobile conveyors to feed the men in its three factories. Conveyors travel throughout the shops serving hot lunches and refreshments between meals. See Question 9



Digest of Bank Insurance

A RÉSUMÉ of the insurance protection available to banks is being prepared for the use of bank officers by the Insurance and Protective Committee of the American Bankers Association. It is to be published as a digest of bank insurance and is expected to be ready in January.

The Committee hopes that the digest will stimulate bankers' interest in their insurance problems and lead to a review of their institutions' protective programs; also that it will be of practical value in reducing potential risks to a minimum and in improving insurance protection.

Many forms of coverage are discussed in the digest, and risks excluded from contracts are indicated, as well as the risks covered.

The digest includes the following material:

1. A condensed schedule of bank insurances and some other coverages, intended as a general picture of bank insurance protection.
2. A description of the forms of blanket bonds, fidelity bonds, burglary, robbery, forgery and other coverages chiefly applicable to banks, thus providing the banker with a more detailed review of the important bank coverages.
3. Brief descriptions of other contracts, outlining coverages that apply not only to banking but also to other lines of business.
4. Comments on insurance essential in handling personal trusts and estates and corporate trusteeships, which are important functions in many banks.
5. An outline of customers' insurance pertaining to commercial loans, commodity loans, consumer loans, security transactions, depositors' forgery risks, etc. This

chapter is included because of the importance of a bank's interest in its customers' insurance protection.

As announced in a recent issue of *BANKING*, the new digest is a revision of "Dependable Bank Insurance", an analysis of bank insurance contracts published by the Association in 1927. Since then the Insurance and Protective Committee has negotiated many improvements in the forms of insurance contracts commonly used by banks, thus keeping pace with changing conditions especially as regards new exposures.

Bankers' blanket bonds for example, have been extensively revised and the Association's copyrighted forms of Fidelity Schedule Bond and Bank Burglary and Robbery policy have undergone revision and improvement. Other contracts have been improved and broader forms of bank contracts are now in use, with the result that the Committee undertook the forthcoming revision of the 1927 study.

The Committee points out that in using the digest bankers should realize that expansion of banking services may require still further changes in the coverages discussed. Also, any study and interpretation of bonds and policies involve question debatable even among those most familiar with the intent of the contracts.

The chairman of the Committee is William B. Gladney, executive vice-president of the Fidelity Bank and Trust Company, Baton Rouge, Louisiana. The secretary is James E. Baum, Deputy Manager of the American Bankers Association.

The Digest is being published at a nominal cost and a limited number will be available in loose-leaf bindings for an additional amount.

Building Bank Business

THE entire staff of the Wachovia Bank and Trust Company, of Winston-Salem, which is composed of nearly 400 officers and employees in six North Carolina cities, is now fully organized for the study of the new course, "Building Business For Your Bank" recently published by the Public Relations Council of the American Bankers Association.

"We have adopted a plan of discussion and talks by staff members rather than a series of lectures by one or more specialists," says William H. Neal, vice-president.

"At our various offices staff members are organized into groups or divisions ranging in number from 12 to 40, depending upon the total local personnel.

"Every member of the Wachovia organization—from the chairman of the board to the newest messenger boy—attends the meetings and is a division member.

"In the beginning, full staff meetings at each office were held, at which the plan was explained by President Robert M. Hanes and other senior executives. Our objectives were announced as three-fold:

"(1) To know our bank; its policies, methods, systems and services; (2) to hold present business by improving

the quality of our service; (3) to get more business from present customers and new business from new ones.

"A simple system was adopted whereby staff members can report prospects and solicitations, but as yet no special awards have been announced for new business work.

"We have been careful to avoid giving this study course the appearance of a special campaign."

A group meeting at the Wachovia



Our Way

President P. D. HOUSTON of the American Bankers Association before the A.B.A. Mid-Continent Trust Conference.

THE American people have made a momentous decision in the characteristic American way. More people participated in this election than in any other in our history. The issues were thoroughly discussed and the result was by no means one-sided. The election showed a healthy division of opinion.

It demonstrated a genuine opposition essential to the operation of a democracy.

This is a nation of majority rule. As a people I am sure we will accept the decision of Election Day and give our support to our Government. That is the American Way.

There are plenty of problems ahead in this flaming world. They call for united thought and action. As President of the American Bankers Association I pledge the support of the banking fraternity to the Government in meeting these problems.

Inflation Safeguards

Dr. PAUL F. CADMAN, Economist, American Bankers Association, before the OHIO CHAMBER OF COMMERCE, Cincinnati.

WITHOUT dangerous over-simplification, is not our problem essentially this: Our markets, handicapped by a decade of depression, by the breakdown of foreign trade, by the disastrous results of managed money throughout the world—by all the other factors too well known to need rehearsal—now find sudden stimulation in a vast undertaking for national defense.

Necessary capital must be formed. Huge sums of purchasing power will reach our markets. If saving does not take place, an inevitable inflation will follow which will end in a post-armament depression. The real question is, How shall the saving be effected? Shall it be voluntary and therefore strengthening to the individual and to the national morale? Shall it be forced by Government decree? Or shall it be put over by any or all of the various subterfuges which must ultimately end in the loss of confidence by the people in the government which practices them?

THAT Congress will be asked to increase the debt limit to \$65 billion or more is evidence that the Government proposes to form the capital necessary for the armament program by further compounding the Federal debt. If this grave measure is to be taken, the American public should know exactly what it means. If the new bonds are sold to the banks with or without pressure, they will add to the danger of inflation and thereby invite the arbitrary controls which should not be imposed except as a last resort. On the other hand, if these bonds can be sold to the public by non-political and patriotic appeal such as was employed for the Liberty Loans, the danger would be greatly lessened since Government bonds in private hands do not serve as reserves against which money and credit may be issued.

Every opportunity to employ private finance should be explored and exploited. Every legitimate type of known private financing should be encouraged to participate in financing this program.

Investment banks, commercial banks, savings banks,

should be given the opportunity, as far as possible, to finance the armament effort. Out of such a process could come a stimulation to the investment market which would thaw large sums of idle capital and, in turn, stimulate the confidence of savers of all types, in the belief that their savings can find employment. We have laid great stress upon the unemployment of labor, and we should have done so. But in our zeal to overcome this evil, we have not said enough about the unemployment of capital, which fact has greatly contributed to the unemployment of men.

FINALLY, let it be said that the prevention of inflation and the building of a defense against the slump cannot be accomplished without a high degree of confidence. This psychological attribute has been rather heavily ridiculed of late, but it is a virtue in economic and political affairs which can neither be laughed nor sneered out of existence. The whole process of saving in all of its manifestations rests heavily on the belief of the saver.

If we are going to call out conscious saving through real sacrifice; if we are going to persuade people that they should save some of that which they earn in these lush years, we must give them certain assurances. But the underlying guarantee must be confidence that the institution of private property will continue to exist. It is no secret that it has been under heavy pressure for a great many years and that that pressure has increased both in intensity and tempo in recent times.

This situation leads to another logical conclusion, which should force the Government into a frank disclosure of its position. If, through arbitrary controls, it restricts consumption; if, through confiscatory taxation, it absorbs an undue portion of the national income; if, through fiscal policies, it socializes wealth without disclosing its intent, it cannot hope for the response which is essential in this emergency.

Therefore, we *can* avoid inflation and ease the blow of deflation when it comes, by giving assurance that private property will continue to enjoy its constitutional protection; that "due process" will not be perverted to permit confiscation without declaration of intent; and that the power to tax will not be used to destroy.

Insurance Protection

COOPER D. WINN, JR., Insurance Manager, Guaranty Trust Company of New York, before the A.B.A. MID-CONTINENT TRUST CONFERENCE

EFFORTS must be made to keep insurance protection abreast of frequently changing laws, to provide automatic and comprehensive coverage for every undertaking and to obtain from insurance companies coverage for all hazards. Trust officers must devise plans to keep themselves promptly informed of building alterations and new construction, the vacancies and changing occupancies of properties, and the activities of co-fiduciaries and beneficiaries, such as trading automobiles, remodelling houses, moving personal properties, and moving personal property from place to place.

There is no formula for the complete protection of fiduciaries by insurance, but the nearest thing to a panacea for our problems is automatic, comprehensive insurance and the closest cooperation between trust department and operating divisions—personal, corporate, and real estate—and the insurance department. In addition, responsibility for insurance protection should be concentrated in one person.

The policies should cover all interests involved—fiduciaries, co-fiduciaries, owning estates, beneficiaries, life tenants, and all associated interests, as well as corporations for administering or operating properties, their trustees or directors, and managing or rent collecting agents.

These liability and compensation policies must include all undertakings of every description and must respond to claims based on legal, equitable, or assumed liability. Full policy limits should apply to each risk. Fiduciaries cannot operate under a policy covering legal liability only.

Many times trust officers will be delayed in probating a will, on having an appointment confirmed, or in establishing ownership, but they must perform some acts to safeguard property even though they have no legal obligation to do so.

Public Relations

Here are excerpts from a few speeches at the Financial Advertisers Association Convention at Hot Springs, Va.

Challenge

As men in the midst of war plan for peace, so should financial institutions, manned by individuals thoroughly aware of the destructiveness of war, gear every operation toward eliminating wastage.

The challenge to the executive in charge of public relations is both philosophical and mechanical. On one hand he applies practically every lesson he has learned in psychology in order to influence for good the masses outside his institution as well as the personnel of his bank. At the same time he must employ the greatest economy in spending so that all the forces and means in his command will advance toward the goal sought for

by a peaceful, progressive people.—ROBERT J. IZANT, vice-president, Central National Bank of Cleveland, and new F.A.A. President.

Sound Merchandising

WE know that the bankers of America stand ready and anxious to do their part in national defense, but willingness is not enough. Through good merchandising we must prove our intentions, sell our services and make our banks a vital and helpful force in this national emergency. We must actively offer our services to all producers and processors who are directly providing the sinews of defense. We must also encourage all types of businesses and individuals to use the full facilities of our banks if the nation as a whole is to earn and save and spend in the volume necessary to sustain our national economy.

We must prove our case to the public not by passive willingness to perform, but by aggressive action. Calling on customers, explaining the services we have available, selling credit and keeping a stream of enlightening information flowing to the public through advertising, form my conception of sound merchandising, and I believe that it is the most effective answer to this problem.—ROBERT M. HANES, President, Wachovia Bank & Trust Company, Winston-Salem, N. C., and Former A.B.A. President.

Recognition

THE heart of public relations is the personnel policy. The heart of the personnel policy is recognition. We cannot have a sales-minded force without personal recognition for those who do good work. It may be reward of some sort, or just a word of conversation from the officer higher up, but recognition is essential.—Dr. HAROLD STONIER, Executive Manager, American Bankers Association.

Continuity

I URGE financial advertisers not to start a campaign of advertising if they cannot continue it for an extended period. Continuity in advertising works as amazingly as compound interest.—PRICE GILBERT, Advertising Manager, Coca-Cola Company.

Friendliness

To be successful in consumer credit we bankers must change our viewpoint. We must find a reason for making a loan, rather than a reason for declining it; we must try to keep the money employed with safety, rather than trying to get it back into the bank at the earliest possible moment. This change in attitude finds us failing to do many things we ought to have done and, even more, doing those we ought not to have done.

But there is still health in us. We are awake to our shortcomings and are studying them. We may conclude that the necessary corrections will be made.—GEORGE T. SPETTIGUE, Time Plan Service Corp., New York.

NEWS PAPER

Two Big A.B.A. Meetings for Bankers in December

A.B.A. Clinic On Mortgages Is Set For Cleveland Dec. 12-13 Meetings On Forum Basis

A real estate mortgage clinic sponsored by the Savings Division of the American Bankers Association for banks in Ohio, southeastern Michigan, the western counties of Pennsylvania, and the West Virginia Panhandle will be held in Cleveland, Dec. 12-13.

Plans were announced by Roy R. Marquardt, Division President and vice-president of the First National Bank, Chicago.

Banks in the conference area have been invited to send two representatives of their real estate departments to the meeting. In all, there are 1,231 banks in the area.

Dr. Ernest M. Fisher, A.B.A. Director of Research in Mortgage and Real Estate Finance, will direct the sessions. They will be conducted on an open forum basis, and bankers will be free to interpose questions and express their opinions during the discussions.

The Division has sent out a list of questions covering the agenda. In addition, banks to be represented have been invited to send other queries on mortgage lending directly to the Division in advance of the meeting for discussion at the conference.

Mr. Marquardt will preside at the business sessions in the Hotel Statler. H. R. Templeton, vice-president of the Cleveland Trust Company, is chairman of the arrangements committee.

Here are the discussion subjects and leaders:

(Continued on page 92)

Chicago in 1941

President Houston has announced that the 1941 Convention of the A.B.A. will be in Chicago, Sept. 28-Oct. 2, with headquarters at Hotel Stevens.

The Executive Council's Spring Meeting takes place at The Homestead, Hot Springs, Va., Apr. 27-30.

Business Building Course Popular

The Public Relations Council of the American Bankers Association reports an active demand for the new bank staff training course "Building Business for Your Bank."

Up to Nov. 15 the Council had received 1,447 orders for 3,657 sets.

On that date four banks had ordered more than 100 sets. They were: Wachovia Bank and Trust Company, Winston-Salem, N. C.; Gary (Ind.) State Bank; Lincoln-Alliance Bank & Trust Co., Rochester, N. Y.; and the Bank of Montreal, Montreal.

Ten States Represented at Fort Worth Regional Banking Conference of A.B.A.

A thousand bankers from 10 southwestern states were expected in Fort Worth, Tex., Dec. 5 and 6 for the regional banking conference arranged by the American Bankers Association under the direction of President P. D. Houston.

The program, published in the November issue of BANKING, was prepared with a view to featuring practical discussions of

Membership Gain Sets A.B.A. Mark

The number of new A.B.A. members received between Sept. 1 and Nov. 15 was the largest for that period in any recent year. It is expected that figures will be available for publication in January BANKING.

Membership clinics are being held in several cities, including Louisville, Chicago, St. Louis and Kansas City, Mo., at which machinery is set up for using the field representatives of big city banks as channels through which the value of Association membership can be called directly to smaller non-member banks' attention.

This method has been used successfully in eastern territory.

Fort Worth, the Regional Conference City



CUSHING

current bank problems. Provision was made for a bankers' "credit roundup" to consider three types of lending activity that are of increasing significance: defense financing, field warehousing and consumer credit.

A public meeting, attended by customers of the Fort Worth banks, was arranged as the final conference session, with President Houston presiding, a recital by Margaret Speaks and Conrad Thibault, and a talk by Dr. O. C. Carmichael, chancellor of Vanderbilt University.

The local Fort Worth committee had the assistance of a cooperating committee consisting of the presidents of the state bankers associations in the conference area. Members of this committee are:

Walter P. Napier, president, Alamo National Bank, San Antonio, Tex., chairman; Hubert H. d'Autremont, president, Southern Arizona Bank and Trust Company, Tucson, Ariz.; E. P. Pyeatt, cashier, Mellroy Bank and Trust Company, Fayetteville, Ark.; R. B. Handy, president, First National Bank, Loveland, Colo.; Olney D. Newman, president, Garden National Bank, Garden City, Kans.; M. L. Funderburk, president, Citizens Bank and Trust Company, Houma, La.; Frank R. McGeoy, Jr., president, Bank of Greenwood, Greenwood, Miss.; F. C. Hunt, vice president, First National Bank in St. Louis; Glenn L.

(Continued on page 93)

R. J. Izant Is New F.A.A. President

Clevelander Heads Advertising Men

Robert J. Izant, vice-president of the Central National Bank of Cleveland, is president of the Financial Advertisers Association for the year 1940-41.

Chosen with him at the recent 25th annual convention in Hot Springs, Va., were these general officers: First vice-president, Victor Cullin, assistant secretary, Mississippi Valley Trust Co., St. Louis; second vice-president, L. E. Townsend, Bank of America N.T. & S.A., San Francisco; third vice-president, Lewis F. Gordon, assistant vice-president, Citizens and Southern National Bank, Atlanta. Fred W. Mathison, assistant vice-president, National Security Bank of Chicago, was re-elected secretary.

"Pres" Reed Honored

Through its board of directors the association presented an engrossed scroll to Preston E. Reed, executive vice-president since 1924, in appreciation of his loyal service. The scroll was signed by the association's officers.

Directors elected were: O. G. Alexander, Bank of the Manhattan Company, New York City; Merrill Anderson, Merrill Anderson Company, New York City; L. C. Barry, Union Trust Company, Pittsburgh; Roy H. Booth Jr., National Shawmut Bank, Boston; Dale Brown, National City Bank, Cleveland; Harold Cottrell, Fort Wayne National Bank, Fort Wayne, Ind.; Stephen H. Fifield (retiring president), Barnett National Bank, Jacksonville, Fla.

Robert L. Flather, American Security and Trust Company, Washington, D. C.; J. Lewell Lafferty, Fort Worth National Bank, Fort Worth, Texas; Robert Lindquist, American National Bank and Trust Company, Chicago; Katherine Moore, National Newark and Essex Banking Company, Newark, N. J.; James Rascovar 2d, Albert Frank-Gunther Law, Inc., New York; G. Lorne

Pages 85 and 90

Pictures of the Financial Advertisers Association convention at Hot Springs will be found on page 85. Excerpts from convention speeches are on page 90.

Spry, Canada Trust Company, London, Ont.; R. H. Wells, State Planters Bank and Trust Company, Richmond, Va.; K. Winslow Jr., Seattle Trust and Savings Bank, Seattle, Wash.; John M. Zuber, Ohio Citizens Trust Company, Toledo, Ohio.

Banker-Farmer News Notes

Here are news items about banker-farmer activities of state banker associations in some southern states as outlined at recent conferences.

These meetings are held in cooperation with the A.B.A. Agricultural Commission of which Dan H. Otis is director, and are attended by Mr. Otis. A. G. Brown, in charge of the A.B.A. Agricultural Credit Department, has spoken at several gatherings.

South Carolina

The South Carolina Bankers Association farm program includes cooperation with the county planning committee, encouragement of 4-H Club work and of the establishment of local farmers' markets; development of a farm program, or budget for farm borrowers; encouragement of better herds and better corn yields; and provision for making available better seed wheat. A \$25 prize is being awarded to the banker reporting the greatest farmer-banker activity during the year. There is to be a banker-farmer tour of different sections of the state early in December.

North Carolina

A special committee on research in agricultural credit, appointed to cooperate with Mr. Brown, has evolved a plan whereby bankers and representatives of the State College of Agriculture can assist in

HOLIDAYS

Many banks decorate for the holidays with Christmas trees. This one was in the lobby of the Washington (D. C.) Loan & Trust Co. last year.



Cleveland Clinic

(Continued from page 91)

Dec. 12, 11 A.M.—Call to order, Mr. Templeton; "The Savings Business and Real Estate Mortgages", Mr. Marquardt; "Objectives of the Clinic", Dr. Fisher.

Dec. 12, 2 P.M.—"Effects of the Defense Program Upon the Mortgage market", Joseph M. Dodge, president, The Detroit Bank; "Insured Mortgages", Francis H. Beam, vice-president, National City Bank, Cleveland.

Dec. 12, 8 P.M.—"Judging the Quality of Proposed New Mortgage Loans", John D. Bainer, vice-president and cashier, Merchants National Bank and Trust Co., Meadville Pa.

Dec. 13, 10 A.M.—"Operating Reports of the Mortgage Loan Department", George D. Webster, vice-president, Society for Savings, Cleveland; "Competition in Mortgage Loans", W. W. Slocum, president, United Savings Bank, Detroit.

Mr. Slocum's discussion will be continued at the afternoon session when Dr. Fisher will lead a general forum.

Florida

Bankers are cooperating with the extension service of the agricultural college, and with other groups, in developing a more prosperous agriculture for the state. Development of the livestock industry is being stressed. Emphasis is also placed on 4-H Club work, soil conservation and dairying.

A.B.A. Prepares Savings Booklet

Aid for Personal Finance Problems

The A.B.A. Savings Division has prepared a new booklet designed to assist in handling personal finance problems.

Entitled "Personal Money Management", the 36-page publication serves the banker as a reference book when he is giving advice, and guides the customer who is seeking better income control. It is not a "budget book".

Chapters covering various phases of personal finance have been contributed by bankers and non-bankers. There is a preface by H. M. Hart, chairman of the Division's Committee on Personal Money Management, and an introduction by Albert W. Atwood, the well-known financial writer.

The booklet contains helpful, practical discussions on such subjects as savings, shelter, household operating expenses, food, clothing, advancement, indebtedness, wise purchasing, and savings reserves.

Among the contributors are: W. Espy Albig, Division secretary; J. B. Chaffey, vice-president, California Bank, Los Angeles; Sarah J. MacLeod, home budget consultant, Society for Savings, Cleveland; Ruth Carson of "Collier's"; J. R. Dunkerley, assistant secretary of the Savings Division; B. P. Allen, executive vice-president, First National Bank, Wabash, Ind.; Mabel F. Thompson, director, service department, Union Dime Savings Bank, New York City; and Charles Mills de Forest, executive vice-president, American Provident Society, New York; and Margaret J. Bacon, director, income management bureau, Monroe County Savings Bank, Rochester, N. Y.

At the end of each chapter is a useful bibliography on the subject covered by the author.

Mr. Hart, vice-president of the National Bank of Commerce, San Antonio, says in his preface that the committee, after examining more than 250

French Announces Consumer Credit Conference

It has been decided definitely to hold a bank conference on consumer credit early next Spring, according to Walter B. French, A.B.A. Deputy Manager in charge of the Consumer Credit Department.

"This conference probably will be held in the Middle West, the exact time and place to be announced at an early date," Mr. French said. "It is to be a working conference with emphasis on the practical approach to the many consumer credit problems confronting banks. For this reason we hope to attract not only those men responsible for the development of the bank's consumer credit department but also those charged with actual operating details.

"This program is already taking shape and we contemplate the appearance thereon of some of the country's outstanding authorities in this rapidly expanding field for banks. With one-half to two-thirds of our banks engaged in the business in some form or another, we expect great benefits to be derived from this conference."

budget books, sympathizes "with those people who have never kept a budget book and who say they never could."

"Many of the budget books on the market," he continues, "would require the ability of an accountant. The simplest involve too much bookkeeping for many people whose need for income management is the greatest.

"This booklet will be of most interest to those sincerely concerned about the subject and desirous of assistance in an earnest effort to put their house in order. Our respect and admiration go to those who find budgeting no great hardship and after a year or two of keeping accounts have found the practice to be an interesting diversion which pays enormous dividends."

763 Trust Men At Chicago Conference

With a registration of 763, the 11th Mid-Continent A.B.A. Trust Conference was held in Chicago early last month.

It was the largest attendance since this series of meetings was resumed three years ago. A feature of the conference was the question box period at which several experts in various fields of trust work answered queries submitted in advance by trust men.

A similar period will again be included in the program for the annual Mid-Winter Trust Conference in New York next February.

New York Holds Bank Conferences

The New York State Bankers Association is holding a series of "present day banking" conferences in New York, Albany, Syracuse, Buffalo and Binghamton this winter. The meetings are planned by the committees on state bank research, bank management and public relations.

Subjects include new types of lending, such as defense loans; service charges; and improved operations through mechanization and use of forms.

Emphasis is being placed by speakers on efforts to make all loan applications bankable.

More than 1,000 bank officers and employees have registered for the conferences.

FHA Aids Men In Military Service

D. J. Needham, A.B.A. General Counsel, has sent to state secretaries an FHA release covering an amendment to Administrative Regulations under Section 203 of the National Housing Act.

The amendment, dated October 21, 1940, follows:

"Section 6 of Article VI of the Regulations of the Federal Housing Administration for Mutual Mortgage Insurance, revised July 1, 1939, is hereby amended by the addition of the following paragraph at the end thereof:

If at any time during default the mortgagor is a 'person in military service', as such term is defined in the Soldiers' and Sailors' Civil Relief Act of 1940, the period during which he is in such service shall be excluded in computing the one year period within which the mortgagor shall commence foreclosure or acquire the property by other means as provided in this section and no postponement or delay in the prosecution of foreclosure proceedings during the period the mortgagor is in such military service shall be construed as failure on the part of the mortgagor to exercise reasonable diligence in prosecuting such proceedings to completion as required by this section."

Meyer President of Bank Auditors

Charles Z. Meyer, comptroller of the First National Bank of Chicago, was elected president of the National Association of Bank Auditors and Comptrollers at the organization's recent convention in St. Louis.

CONVENTION CALENDAR

December · 1940

SUN.	MON.	TUES.	WED.	THUR.	FRI.	SAT.
1	2	3	4	5	6	7
				AMERICAN BANKERS ASSOCIATION REGIONAL CONFERENCE TEXAS HOTEL, FORT WORTH, TEXAS	ARIZONA B.A. PHOENIX	
				MICHIGAN BANK STUDY CONFERENCE, UNIVERSITY OF MICHIGAN, ANN ARBOR		
INVESTMENT BANKERS ASSOCIATION OF AMERICA, HOLLYWOOD BEACH HOTEL, HOLLYWOOD-BY-THE-SEA, FLORIDA						
8	9	10	11	12	13	14
	SOUTHERN CONFERENCE OF BANKERS ASSOCIATION SECRETARIES, LOUISVILLE, KENTUCKY			A.B.A. REAL ESTATE MORTGAGE CLINIC HOTEL STATLER, CLEVELAND, OHIO		
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				
AMERICAN ECONOMIC ASSOCIATION, ROOSEVELT HOTEL, NEW ORLEANS, LOUISIANA						

Received too late for inclusion: December 10—Wisconsin Bankers Association County Officers' Conference,
The Schroeder Hotel, Milwaukee.

American Bankers Association

Feb. 4-6	Mid-Winter Trust Conference, Waldorf-Astoria Hotel, New York City	May 22-24	Virginia, John Marshall Hotel, Richmond
Mar. 5-7	Regional Conference, Waldorf-Astoria Hotel, New York City	May 26-28	Illinois, Palmer House, Chicago (Golden Jubilee)
Mar. 20-21	Regional Conference, Brown Hotel, Louisville, Kentucky	June 4-5	Wisconsin, Schroeder Hotel, Milwaukee
Apr. 27-30	Annual Meeting, Executive Council, The Homestead, Hot Springs, Virginia	June 5-8	District of Columbia, The Homestead, Hot Springs, Virginia
June 2-6	American Institute of Banking, St. Francis Hotel, San Francisco, California	June 9-10	Oregon, Gearhart Hotel, Gearhart
Sept. 28-Oct. 2	Annual Convention, Hotel Stevens, Chicago, Illinois	June 12-13	Washington (Place to be announced later)
		June 12-14	West Virginia, Greenbrier Hotel, White Sulphur Springs
		June 16-17	Idaho, Sun Valley
		June 17-18	North Dakota, Bismarck
		June 20-21	Montana, New Florence Hotel, Missoula
		June 26-27	South Dakota, Hotel Franklin, Deadwood
		June 26-28	Michigan, Grand Hotel, Mackinac Island

State Associations

Jan. 20	Mid-Winter Meeting, New York, Hotel Astor, New York City
Jan. 21-22	Wisconsin, Mid-Winter Meeting, Milwaukee
Jan. 23	Connecticut, Mid-Winter Banquet, Hotel Taft, New Haven
Jan. 29-30	New Jersey, Mid-year Banking Conference, Princeton University, Princeton
Jan. 30	Illinois, Mid-Winter Conference, Palmer House, Chicago
Feb. 21	Ohio, Mid-Winter Meeting, Columbus
May 8-9	Oklahoma, Oklahoma City
May 9-10	North Carolina, Pinehurst
May 12-14	Mississippi (Place to be announced later)
May 12-14	Missouri, Excelsior Springs
May 14-15	Indiana, Claypool Hotel, Indianapolis
May 15-16	Kansas, Kansas City
May 21-23	Texas, Houston

Jan. 21-23	Missouri Bankers University Conference, University of Missouri, Columbia
Feb. 10-12	Minnesota Bankers' Conference, Center for Continuation Study, Minneapolis
Feb. 11-12	Independent Bankers Association, St. Paul, Minnesota
May 4-7	Association of Reserve City Bankers, Hotel Hershey, Hershey, Pennsylvania
May 10	Oklahoma American Institute of Banking, Oklahoma City
May 16-17	Second Bank Management Conference, New Hampshire Bankers Association, Amos Tuck School of Business Administration, Dartmouth College, Hanover, New Hampshire
May 22-24	National Safe Deposit Association, Hotel Statler, Buffalo, N. Y.

PRESERVING FINANCIAL STABILITY

Security of Investment or Loan Collateral—and Profit Earnings are the Banking World's prime interests in business. Whether it be in weighing investment merits or the soundness of a credit risk, the banker looks for safeguards which give assurance of the longview financial stability of the organization. He expects business to be protected against the many risks of accidental loss to which it is constantly exposed.

Progressive management is meeting this important responsibility through Adequate Insurance which is recognized as the safest, soundest and most economical method of providing protection for the resources of a business—as well as reimbursement for the possible disruption of its earning capacity.

The Commercial Union Group is one of the world's foremost Capital Stock insurance organizations writing practically all kinds of insurance except Life. Its financial strength, integrity and sound management—its widespread system of expert Local Representatives and world facilities recommend its member companies strongly to business executives seeking secure protection.



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AMERICAN CENTRAL INSURANCE COMPANY
COLUMBIA CASUALTY COMPANY
THE PALATINE INSURANCE COMPANY, LTD.



The OCEAN ACCIDENT & GUARANTEE CORPORATION LTD.
THE BRITISH GENERAL INSURANCE COMPANY, LTD.
UNION ASSURANCE SOCIETY, LIMITED
The COMMERCIAL UNION FIRE INSURANCE COMPANY

NEW YORK

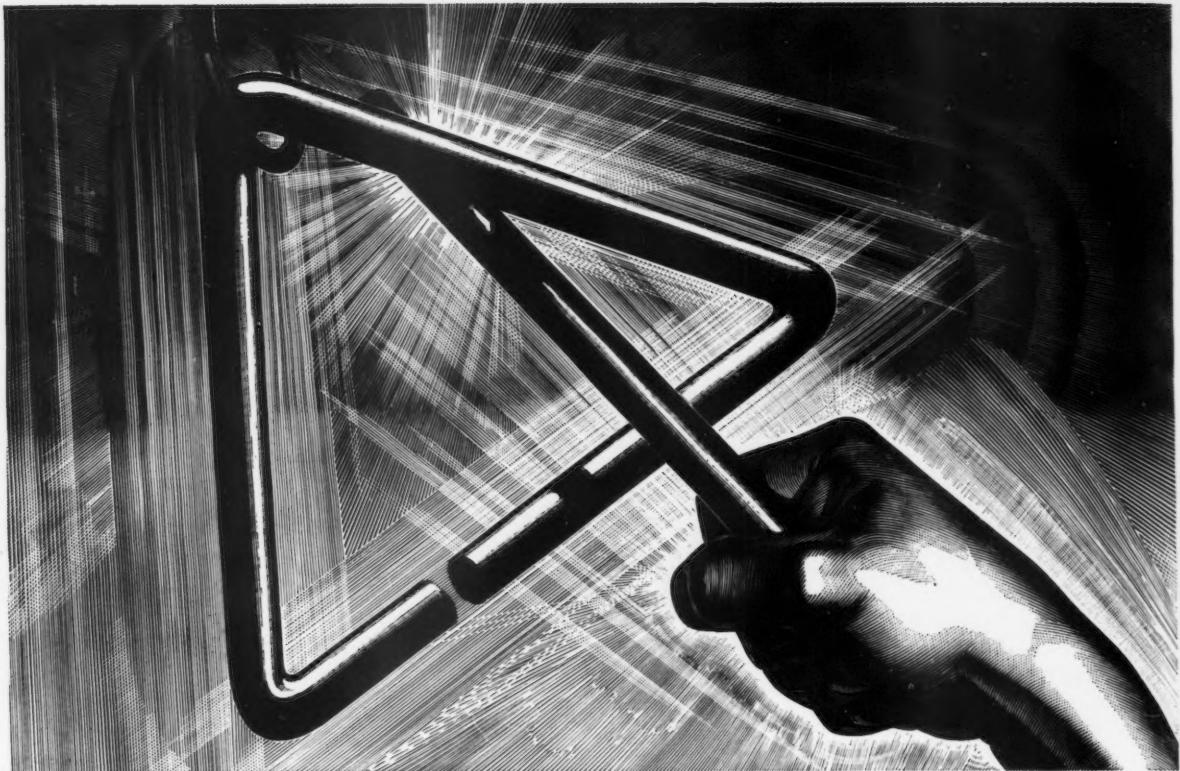
CHICAGO

ATLANTA

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(STOCK COMPANIES)

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CREDIT, too, RESPONDS

Today, ploughshares are being beaten into swords; the smoke of thousands of chimneys reflects the country's dedication of its unparalleled strength to the work of defense. In this great purpose the commercial banks throughout the land, aware of their responsibilities, are cooperating in vigorous measure.

Bank credit—always mobile, always

ready when needed—is taking an essential part in the production of materials and machines for national defense. The Chase, in its manifold relationships with correspondent banks in all parts of the country, is assisting in this effort, to the end that the needs of the nation may be met more easily, more swiftly, more surely.

THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK

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